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United States  
Department of  
Agriculture

Office of  
Inspector  
General

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# Office of Inspector General FY 1990 Annual Plan

October 1, 1989 - September 30, 1990



Office of  
Inspector  
General

U.S. DEPARTMENT OF  
AGRICULTURE



**OFFICE OF INSPECTOR GENERAL  
FY 1990 ANNUAL PLAN**

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Washington,  
D.C.  
20250

## FOREWORD

From its earliest beginnings until now, the Office of Inspector General (OIG), U.S. Department of Agriculture (USDA), has produced some very significant results. When OIG first started 27 years ago with a staff of 850 people, it identified \$8.8 million in recoveries, fines, savings or other monetary results. In 1989, with no increase in staff size, it identified \$563.8 million in monetary results.

These results have been obtained through effective planning and concentrating on the major areas for risk in the Department's programs. This year, we have continued our strategic planning process for audits and investigations. Under our strategic planning process, we have assessed each program area and its susceptibility to fraud, waste, and abuse. We will continue to address our efforts toward areas where large dollar losses could occur or to areas concerning public health and environmental hazards. The strategic plan is a dynamic document that will change as new vulnerabilities and priorities develop. We welcome the reader's comments on this Plan and suggestions of areas to which the OIG might give greater attention in future audit and investigative activities.

*Leon Sneed*  
LEON SNEAD  
DEPUTY INSPECTOR GENERAL



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## THE OIG MISSION

This year marks the 27th anniversary of the establishment of the OIG. When it was formed by the Secretary in 1962, USDA was the first civilian agency to have an OIG. The Office was created, in part, by absorbing the audit and investigative functions of other USDA agencies. In 1978 the Inspector General Act (Public Law 95-452) established the current legislated Office.

The Act gives the Inspector General responsibility for audits and investigations of the Department's programs and operations. It also places upon the OIG the responsibility (1) to review existing and proposed regulations and legislation and make appropriate recommendations, and (2) to be involved in activities that promote economy, efficiency, and effectiveness or that prevent and detect fraud, waste, and abuse in programs and operations, both within USDA and in non-Federal entities that receive USDA assistance. The Act requires the Inspector General to report to the Secretary and Congress on the activities of the Department semiannually at March 31 and September 30 each year.

## OVERALL OBJECTIVE

OIG's overall objective is to prevent and detect fraud, waste, and abuse in USDA programs. We accomplish this objective by use of audits and investigations in:

- Reacting to allegations of fraud, waste, and abuse
- Using preventive audit approaches such as review of systems under development and oversight approaches
- Evaluating the adequacy and vulnerability of management and program control systems
- Evaluating the adequacy of payments to recipients of large USDA payments such as insurance and deficiency payments, major loans, and retailer redemptions

OIG gives a great deal of emphasis to service to management at all levels of the Department by briefing senior Department officials on the results of major audits and investigations. OIG also participates with the President's Council on Integrity and Efficiency, of which the Inspector General is a member, in multi-agency projects where interests are similar.

## THE AUDIT PROCESS

OIG accountants and auditors examine financial statements. They also review agency compliance with applicable laws and regulations, economy and efficiency of operations, and effectiveness in achieving program results.

OIG audits are conducted through six regional offices and the Financial Management and ADP Audit Operations Staff located in Kansas City, Missouri. In addition, OIG contracts with Certified Public Accountants (CPA) for some audits and oversees the quality of the work of auditors under contract to other agencies of the Department. Approximately 40 percent of OIG staff time is devoted to the conduct of audits that are designed to impact on agency management which involves more than one region. The balance of OIG staff time is devoted to audits conducted within one region, audits conducted pursuant to the Single Audit Act, agency requests and quality control over non-Federal audits.

OIG auditors conduct their work in accordance with the "Government Auditing Standards - Standards for Audit of Governmental Organizations, Programs, Activities and Functions" (Yellow Book) published by the General Accounting Office (GAO), the American Institute of Certified Public Accountants (AICPA) Professional Standards, and AICPA Statements on Auditing Standards. OIG auditors periodically receive training in these areas. OIG has established the OIG Audit Academy, which provides professional training to all newly hired, intermediate, and advanced OIG auditors.

The audit process includes:

- Development of an Audit Approach

Development of an audit approach includes the reasons for selection of the audit subject, overall audit objectives and scope, locations to be audited, OIG staff who will perform the audit, staff days needed, other resources required (specialists such as timber or banking expertise) to perform the audit, and benefits anticipated from the audit. If an audit was not included in the OIG Annual Plan at the beginning of the fiscal year, it is added to the Plan before commencement of the audit.

- Audit Notification

OIG notifies the appropriate USDA agency or office of its intent to begin an audit and requests an entrance conference.

- Entrance Conference

At the initial conference, OIG staff advise agency officials of the purpose and objectives of the audit, its scope, and the general methodology and procedures to be followed.

- **Initial Survey Work**

Initial survey work is the gathering of information and problem identification.

- **Field Audit Work**

If the survey indicates the need to learn more about conditions noted during the survey, detailed audit testing and interviewing are undertaken.

- **Discussion Draft Report**

When field work is complete, draft findings and recommendations are prepared and shared with agency officials.

- **Exit Conference**

At the conclusion of an audit, a formal conference is held with the agency's principal officials to present audit results. This provides an opportunity for management to confirm information, to ask questions, and to provide any necessary clarifying data.

- **Official Draft**

After the exit discussion, any necessary changes to the draft report are made and the official draft is then presented to the agency for final written comments.

- **Final Report**

A final report which contains the agency's written response is prepared and the final audit report is issued.

- **Audit Followup/Reports to Congress**

A management decision (agreement to take action on an audit recommendation) must be reached on all report recommendations within 6 months of issuance of the report. Final action (completion of all actions) must be accomplished within 1 year of the final management decision. The Office of Inspector General tracks Departmental actions through the management decision; the Department tracks actions from the management decision to completion of final action.

Public Law 100-504, the Inspector General Act Amendments of 1988, substantially changed the role of Executive Departments and agencies in the audit followup and reporting process. The Amendments require each Executive Department and agency to report semiannually to the Congress on the status of all audit reports from the date of a final management decision through the date of the final action. This semiannual report must contain a statement with respect to audit reports for which final action has not been taken within 1 year of the management decision.

The Inspectors General must also report semiannually to the Congress. These reports must summarize the activities of the office during the preceding 6-month period. In addition, the reports must include a summary of each audit report issued before the beginning of the reporting period for which no management decision has been made by the end of the reporting period, an explanation of the reasons a management decision has not been made, and a statement concerning the desired timetable for achieving a management decision on each report. Information concerning any significant management decision with which the Inspector General is in disagreement must also be included.

## THE INVESTIGATIVE PROCESS

OIG Special Agents are highly trained criminal investigators who specialize in the investigation of complex white collar crimes involving USDA programs. Each investigator receives initial training at the Federal Law Enforcement Training Center in Glynn, Georgia. Additional training in law enforcement procedures, investigative techniques, and USDA program regulations is provided throughout the career of the investigator.

Investigations are conducted through a headquarters staff and seven regional offices. The regional offices open investigations in accordance with priorities and general guidelines established at the headquarters level and in consideration of prosecutive guidelines established by the local United States Attorneys for the U.S. Department of Justice.

The investigative process begins with the receipt of an allegation of fraud or abuse. The regional office notifies the USDA agency or office involved of the case opening decision. If an investigation is opened, the agency is cautioned that any administrative action should be coordinated with OIG in order that the investigation not be compromised.

After an investigation is opened, it is assigned to a Special Agent who prepares a plan of investigation. This planning process includes a review of the criminal and civil statutes, program regulations, and Departmental or agency policies that may be involved. The Special Agent then conducts the investigation, which may include one or more of the following techniques: interviewing witnesses, reviewing and analyzing records, obtaining physical evidence, and conducting surveillances and/or undercover transactions. If the Special Agent determines that a crime may have been committed, he or she will discuss the investigation with a Federal and/or local prosecutor to determine if prosecution will be pursued. Upon completion of the investigation, the Special Agent prepares an investigative report which summarizes the facts disclosed during the investigation.

The investigative report is distributed to prosecuting attorneys and to agency officials who may have an official interest in the results of the investigation. If the prosecuting attorney decides to proceed with a criminal or civil prosecution, the Special Agent assists the attorney in any preparation for court proceedings that may be required. This assistance may include serving subpoenas, locating witnesses, and testifying before a grand jury or at a trial.

After the conclusion of any court actions, OIG advises the administrative agency involved of the court results and monitors any corrective or disciplinary action that may be taken by the agency. OIG collects data summarizing the court and administrative results of its investigations and includes this data in its Semiannual Report to Congress.

## THE OIG PLANNING PROCESS

USDA has an annual program level of more than \$69 billion of which more than \$23 billion is for direct and guaranteed loans. The Department has more than 30 major agencies with more than 300 programs, 3 major computer centers, and many thousand auditable program entities. USDA programs are delivered in every State, county, and city in the nation and in many other parts of the world by more than 100,000 Federal employees and many thousands of non-Federal government employees.

The OIG has a staff of 850 to carry out its mission. Planning is critical to the success of its mission. In 1987, OIG initiated a strategic planning process, the ultimate goal of which is to ensure that, over time, audit and investigative coverage of all USDA programs and activities is provided. The planning process for 1987 was begun by:

- Identifying highly vulnerable USDA programs and activities and developing long-term strategies to cover them
- Computerizing the audit planning process and ranking each audit proposal according to priority
- Establishing investigative priorities which are the thorough and timely investigation of threats to the health and safety of the public; employee integrity issues involving allegations of bribery, embezzlement or theft, and collusion with program participants; and fraud in the loan and benefit programs
- Coordinating and integrating the audit and investigative plans for the fiscal year

Twenty strategic areas were identified in 1987. These strategic areas were consolidated into seventeen strategies in 1988 and into fourteen strategies in 1989. In FY 1990, OIG identified seventeen strategic areas. Audits are planned in all seventeen areas. Investigations will focus its activity in nine of these areas.

Profiles of the agencies, programs, and activities within the strategic areas were developed. The profiles included the operational environment; applicable laws, regulations, and other instructions; Congressional interest; and previous OIG work in the area. Within each strategic area were subactivities to be addressed. Strategies with specific goals, objectives, and actions and associated time-frames were developed for each strategic area. Within this framework, OIG annual audit and investigative plans were developed.

## AUDIT

In July 1989 the President launched a simplified system of management by objectives. One of the objectives he announced was to employ audit as a key management tool for assessing program performance and control over resources and to institutionalize audit followup procedures to resolve identified deficiencies by 1990.

Assessing program performance and control over resources in a Department as large and diverse as USDA is a challenge. Particularly important is the ability to deal with cross-organizational and cross-programmatic issues. There are few issues today that do not have impact across agencies. We need to identify in advance the impact the initiatives or actions of one agency would have on the missions or program responsibilities of other agencies. Examples include: market development, research and technology transfer, ADP systems, accounting and financial management, rural development, consumer protection, and management and control of environmental hazards.

This year, Audit took a hard look at the Agency/Program profiles and strategies that were developed. We examined agency and program delivery systems, their internal controls, their funding levels, and reviewed the Department's internal control review and reporting systems which are required by OMB Circulars A-123 (Internal Control Systems), A-127 (Financial Management Systems), and A-130 (Management of Federal Information Resources). This resulted in the identification of areas where little or no audit work had been done. We substantially revised and updated the profiles. New profiles were developed where they did not exist before.

We redefined the strategic areas, consolidating two areas, dividing one area into two, and adding three new areas. The new strategic areas are: Rural Development, Assets Sales, and Management and Control of the Environment. The need for these new strategic areas emerged from our review of our knowledge of the vulnerable areas within the Department's programs and operations. We then developed new short-term and long-term strategies within each strategic area to accomplish the work we think needs to be done. The strategies identify the areas covered by the strategy, the major functions and delivery systems, the major risk and non-risk areas, and where we should go from here.

As in previous years, OIG solicited the opinions of Assistant and Under Secretaries and agency heads within USDA for suggestions and recommendations for the OIG plan for FY 1990. In developing the audit plan, we also considered:

- Statutory and regulatory requirements
- Adequacy of internal control systems
- Newness, changed conditions, or sensitivity of the organization, program activity, or function
- Current and potential dollar magnitude
- Extent of Federal participation in terms of resources or regulatory authority
- Management needs to be met
- Prior audit history
- Prior investigation history
- Timeliness, reliability and scope of audits performed by others, results of other evaluations
- The President's Management Report for FY 1990
- The President's new management by objectives program

The results of our work were shared with OIG Regional Audit staff.

Regions developed over 460 audit proposals totaling 111,517 staff days. At our semiannual planning conference, these proposals were discussed within the context of the knowledge gained in the profiling process and within the strategies that were developed. New audit proposals were designed to fill in gaps. Finally, the staff decided which audits should be conducted in FY 1990 and prioritized them accordingly. Because the audits recommended were still almost 20,000 staff days over available staff days, further cuts were made based upon available staff and regional requirements. This was to date the most sophisticated planning process the OIG has conducted.

## INVESTIGATIONS

Most OIG investigations result from referrals or requests by USDA agencies, other Federal agencies, State and local agencies, or from citizen complaints. Because a decision whether or not to open an investigation must be made within a few days of each referral, OIG cannot schedule specific investigations in its annual plan. The investigative planning process instead focuses on identifying program vulnerabilities and investigative priorities, then establishing general guidelines for the allocation of our investigative resources. It includes an analysis of historical patterns, trends, and results; a review of recent legislative, regulatory, and program changes; consideration of Department of Justice prosecutive guidelines; consideration of budgetary and staffing restrictions; and coordination with OIG-Audit.

In 1987 OIG refined the investigative planning process by identifying our investigative priorities. The priorities established by the Inspector General are the timely and thorough investigation of:

- Threats to the health and safety of the public
- Employee integrity issues involving allegations of bribery, embezzlement, theft, or collusion with program participants
- Fraud in the loan and benefit programs

We also outlined our investigative strategies in the nine strategic areas which we identified as the most vulnerable to fraud. For FY 1990, we have consolidated those original strategies into seven and added two new strategies—Market Development and Direct/Insured Loans.

In preparing our plan for FY 1990, we analyzed data on requests for investigation received in previous years, the number of cases opened, and the results of those investigations. We reviewed recent legislative, regulatory, and program changes, and we contacted each agency within USDA for suggestions and recommendations. We also reviewed audit plans for FY 1990 and considered our budget and anticipated staffing. Based on these considerations, we developed general guidelines for investigative emphasis.

These guidelines will be used during FY 1990 by the managers of our seven regional offices during their reviews of investigative referrals preparatory to making their case opening decisions. Additional criteria used to determine whether to open a case for investigation include the potential program impact; the likelihood of criminal prosecution; the likelihood of large civil recovery; and the deterrent value.

In FY 1989, we had over 54,000 staff days directly related to investigative activity. We opened 1,513 investigations and issued 1,398 reports. We also determined that we would not investigate 1,705 matters which were referred to us.

The pie chart on page 53 categorizes the source of each investigation opened in FY 1989. The majority (60.9 percent) were based on referrals from USDA agencies. Departmental Regulation 1710-2 requires that USDA agencies expeditiously report known or suspected violations of law or regulations to OIG. Activities which must be reported to OIG include:

- submission of false claims and false or fraudulent statements by employees, producers, vendors, contractors, borrowers, cooperators, and others;
- conspiracy to defraud the United States;
- theft, damage, or conversion of Government commodities or other property;
- concealment, removal, obliteration, falsification, forgery, alteration, or destruction of official documents;
- misappropriation or embezzlement of Government funds;
- bribery or attempted bribery of USDA employees;
- conflict of interest;
- violations of the Food Stamp Act or other statutes pertaining to USDA nutritional programs; and
- violations of the Federal Meat Inspection Act, the Poultry Products Inspection Act, and other statutes pertaining to the wholesomeness and quality of food products.

Another 3.1 percent of the cases opened by Investigations were based on audit referrals. An additional 12.5 percent of the investigations we opened were based on referrals from State and local agencies; 8.3 percent were based on calls or letters to the OIG Hotline or on citizen complaints; 3.1 percent came from other Federal agencies; and 12.1 percent came from other sources.

The “other” category includes proactive investigations, which are self-initiated investigations based on nonspecific indications of fraud or vulnerability in a particular program area. An example of a proactive investigation would be a computer match to identify Federal and Postal employees who may be underreporting their income to receive Food Stamp assistance. Data on food stamp recipients and Federal employees would be obtained and matched against screening criteria to isolate a limited number of cases of potential fraud; individual files would then be reviewed to determine whether discrepancies were due to errors or deliberate fraud; if fraud was indicated, individual investigations would then be opened. Proactive investigations are always closely coordinated with OIG-Audit.

Another important source of investigative referrals is the OIG Hotline. Mandated by the Inspector General Act of 1978, the hotline is a toll-free telephone number (800/424-9121, or in Washington, DC, 472-1388) which anyone with knowledge of fraud, abuse, or waste in a USDA program or of misconduct by a USDA employee may call. Callers may choose to remain anonymous or request confidentiality. Complainants may also write to the Office of Inspector General at P.O. Box 23399, Washington, DC, 20026. The Hotline is staffed by three Complaints Analysts and two support staff who are responsible for receiving, reviewing and analyzing complaints, and referring them to the Investigative or Audit staff for appropriate action. Complaints not accepted for investigation or audit are referred to the USDA agency responsible for the program or employee in question, or to another Federal, State, or local agency. If OIG refers the complaint to another USDA agency, we track that agency's inquiry and review their response in order to ensure that proper action is taken on each complaint.

The number of Hotline complaints received has increased steadily over the years, as shown in the chart on page 54. In FY 1989, we implemented a fully automated complaint tracking system. In FY 1990 we plan to add computer software to our telephone system to answer, route, and, if necessary, record incoming calls. We anticipate that this will divert calls not intended for the Hotline, lessen the waiting period for callers, and allow our Complaint Analysts to receive and process an increased number of complaints.

## **OIG STRATEGIES**

The OIG Strategies at this time are:

- FARM PROGRAMS
- MARKET DEVELOPMENT
- DIRECT/INSURED LOANS
- GUARANTEED LOANS
- ASSETS SALES
- RURAL DEVELOPMENT
- INSURANCE
- ENTITLEMENT PROGRAMS
- CONSUMER PROTECTION
- FOREST SERVICE
- MANAGEMENT AND CONTROL OF ENVIRONMENTAL HAZARDS
- RESEARCH AND TECHNOLOGY TRANSFER
- PROCUREMENT/CONTRACTS
- ACCOUNTING AND FINANCIAL MANAGEMENT
- ADP SYSTEMS
- EMPLOYEE INTEGRITY
- PROGRAM COMPLIANCE, ECONOMY, AND EFFICIENCY

Examples of audit and investigative work planned for FY 1990 are included in the discussion of each Strategy. More complete listings are provided in the back of this document.

## FARM PROGRAMS

### AUDIT

The Farm Programs audit strategy encompasses the numerous farm commodity and conservation programs administered by the Agricultural Stabilization and Conservation Service (ASCS) and funded primarily through the Commodity Credit Corporation (CCC), a Government entity for which ASCS provides operating personnel.

The mission of ASCS is to stabilize, support, and protect farm income and prices and to maintain balances and adequate supplies of agricultural commodities. Program delivery is accomplished through a network of 50 State offices, over 2,800 county offices and approximately 3,000 county committees, one for each agricultural county in the nation. The principal activities of ASCS/CCC included in this strategy are the administration and management of the price support, production adjustment, conservation, emergency assistance and warehouse examination programs, estimated at over \$13 billion in FY 1990.

Production adjustment and price support programs are designed to protect and improve farm income and keep production in line with anticipated needs. These goals are accomplished through the use of deficiency payments to producers for low market prices; diversion or set-aside payments for reducing planted program crop acres; price support loans or payments to regulate commodity supplies; and disaster payments due to droughts, floods or other natural conditions beyond the producer's control.

Conservation Reserve Programs (CRP) and Agricultural Conservation Programs were established to assist farmers and ranchers in carrying out land practices to prevent soil erosion, protect farm land, and conserve water resources. Program benefits are provided through annual payments or long-term cost-share agreements to conduct designated practices; to convert eligible land into permanent vegetative cover; and to rehabilitate farmland damaged by natural disasters.

Sales and donations of agricultural commodities are authorized to domestic agencies or foreign governments to keep commodity prices competitive and to develop new foreign or domestic markets for the commodities.

CCC programs can result in the acquisition of commodities through the takeover of commodities pledged as collateral for support loans or purchases of eligible commodities from producers to support the market price. ASCS ensures that adequate storage is available to satisfy program needs by contracting with commercial warehouses to store commodities in county, sub-terminal, and terminal locations. These warehouses are examined periodically to ensure compliance with the provisions of the storage agreements.

In FY 1989, OIG issued over 75 audits of ASCS programs and operations. We have continued to find problems with excessive deficiency payments to producers, deliberate circumvention of the payment limitation provisions, payments for ineligible cropland enrolled in the CRP, inadequate safeguards over commodity certificates, and incorrect crop yields used to calculate disaster payments. Prior audits have also identified weaknesses in producer payment certifications, compliance with cost-share agreements, establishment of normal acreage, and the proper storage and protection of loan collateral. OIG considers these farm programs to be one of the Department's most critically vulnerable areas.

The Farm Programs strategy will continue to receive substantial audit emphasis in FY 1990 because of our prior audit findings and known internal control weaknesses in existing operations; the imminent expansion and revision of major program areas and the magnitude of funding legislated; and the extensive amount of field office involvement in administration of ASCS programs.

Specific audit coverage will be provided via nationwide and special impact audits to ensure overall program integrity, prevent and detect program losses and provide a visible audit presence.

Among the audits of ASCS planned for FY 1990 are major audits of compliance with Payment Limitation Provisions; the 1989 Disaster Assistance Program; compliance with Sodbuster/Swampbuster Provisions; Commodity Warehouse Licensing and Examination Programs, and the 1989 Emergency Feed Program.

## INVESTIGATIONS

The major emphasis of our Farm Programs investigative strategy has been to maintain the integrity of the USDA loan and benefit programs by ensuring proper coverage and prompt response to significant allegations of fraud, waste, and abuse. Our regional offices maintain a close working relationship with State ASCS Offices to ensure timely referral of investigative matters and to create an understanding of each agency's priorities, resources, and needs. At the headquarters level, our Program Investigations Division is responsible for maintaining liaison with the National Office; informing our regional offices of impending program changes; developing national guidelines for referral of investigative matters; and bringing to the attention of top agency managers program provisions that allow significant potential for abuse.

In ASCS programs, our major concern has traditionally been conversion of farm-stored commodities securing CCC loans. Due to the large volume of referrals we receive in this area, our investigative scheduling decisions are based on the likelihood of criminal prosecution or large civil recovery, determined in consultation with the appropriate U.S. Attorney's office and Office of General Counsel representatives. Cases which are not opened for investigation are referred back to ASCS for appropriate administrative action.

During FY 1989 our headquarters staff worked with ASCS to draft a new handbook instruction for ASCS State and county personnel to clarify the types of cases which must be referred to OIG, and to coordinate the development of referral guidelines in each judicial district. As a result, we anticipate that the volume of agency referrals based on conversion of farm-stored collateral will decline, but a larger percentage of the referrals will merit investigation. In FY 1990 a significant number of investigative staff days will also be spent in three areas: investigation of producers who have employed a "scheme or device" to avoid annual crop support subsidy payment limitations; false certifications to obtain disaster assistance; and investigations of shortages of USDA-owned or USDA-mortgaged commodities in commercial warehouses. Our projected staff days in the disaster assistance programs have increased due to the large volume of benefits issued in those programs during 1988 and 1989, which has led to an increase in the number of fraud allegations. In commercial warehousing, our emphasis is increasing due to concern expressed by ASCS management and that agency's commitment during FY 1989 to furnish our agents with increased technical assistance during these complex and time-consuming investigations. Overall, we project that ASCS investigations will require approximately 17 percent of our FY 1990 investigative staff days, an increase from 14.7 percent in FY 1989.

## **MARKET DEVELOPMENT**

### **AUDIT**

One of the two management objectives the President selected for USDA is to expand both foreign and domestic agricultural markets. By January 1, 1990, USDA is to submit a strategy for promoting research and development to enhance the competitiveness of American agriculture.

The OIG market development strategy covers the Department's broad mission of selling agricultural commodities with the purpose of increasing farm income. The Department is charged with integrating all programs related to marketing so that distribution costs may be reduced, the price spread between producer and consumer may be narrowed, and new and wider markets can be developed in the United States and foreign countries. To facilitate the marketing mission, USDA is to provide research in marketing, handling, storing, processing, transporting and distributing agricultural products.

The major programs included in the audit strategy are the Export Enhancement, Export Credit Guarantee, Targeted Export Assistance, Public Law 480, Market News, Marketing Orders, Promotion Boards, and International Training Programs.

To carry out the diverse programs USDA works with State and foreign governments, producer groups, nonprofit commodity groups, agricultural processors, exporters, Land Grant Institutions, county extension agents, and individual producers. Fourteen USDA agencies share in the market development responsibilities of the Department.

Program delivery systems have been designed that involve subsidies, credit guarantees, long-term loans, publishing magazines and reports, advertising, trade negotiations, setting quality standards, regulating markets, grants and cooperative agreements, trade fairs, and international conferences. Domestically, International Trade and Development Centers are being opened, while the Foreign Trade Offices are making potential foreign customers aware of our farm products.

During FY 1989, OIG audited the Export Enhancement and Export Credit Guarantee Programs. We reported that some tobacco companies consistently blended foreign tobacco with domestic tobacco and exported it as domestic while obtaining USDA guaranteed loans under General Sales Manager guarantees. We subsequently expanded our audit coverage and identified similar problems in other exported commodities. In addition, work is currently in process on foreign debt management, and a survey in the Foreign Agricultural Service on foreign market development.

Our FY 1990 audit plan calls for increased coverage of market development functions of the Agricultural Cooperative Service, Office of Transportation, and Agricultural Research Service.

## INVESTIGATIONS

As the Department has placed an increased emphasis on opening foreign markets and exporting agricultural commodities, OIG has found a greater need for investigative emphasis in this area. In FY 1988, FAS matters required only 0.5 percent of our investigative staff days. In FY 1989, this figure increased to approximately 1.9 percent. In FY 1990, we anticipate that it will once again increase, to approximately 3 percent of available staff days. Most of our investigations involve the Public Law 480 program, the Export Enhancement Program, and the Export Credit Guarantee Program. The allegations range from false certifications by U.S. exporters to kickbacks paid to commodity brokers.

We are working to increase our coordination with foreign law enforcement agencies. Although OIG has furnished a representative to Interpol since 1982, our use of this resource increased dramatically during FY 1989. Also, in March 1989, during a speech to representatives of the European Economic Community, the Secretary-General of Interpol mentioned OIG's interest in investigating fraud involving international marketing of agricultural commodities. As a result, we received three investigative referrals directly from agencies outside the United States. We anticipate that the volume of such referrals will increase in FY 1990.

## **DIRECT AND INSURED LOANS**

### **AUDIT**

The two major direct and insured loan lenders in USDA are the Farmers Home Administration (FmHA) and the Rural Electrification Administration (REA). FmHA makes direct loans for Farmer Programs (operating, ownership, emergency, and other), Housing Programs (single and multifamily), and Community Programs (water and waste facilities, hospitals, et al). REA makes insured loans to electric distribution cooperatives and telephone cooperatives and companies.

In FY 1989 we reviewed FmHA's cash and debt management practices which focused upon a wide range of direct loan activities primarily in the Rural Housing Program. We also audited controls over loan instruments and payments in the Community Loan Program. Further, we reviewed a pilot program contract in one State for servicing Rural Housing loans.

For FY 1990 our strategy will target the implementation of the Agricultural Credit Act of 1987, Program Integrity, and REA Operations. Our work on the Agricultural Credit Act of 1987 will consist of two major efforts in the Debt Restructuring Program; one dealing with primary loan servicing activities, the second with preservation loan servicing and foreclosures. OIG considers the Debt Restructuring Program to be a critically vulnerable area in that over \$8 billion is subject to potential write-down, and because of its newness, complexity, decentralization, and compressed timeframes. In addition, this strategy component includes a review of the Administrative Appeals process. Our Program Integrity strategy aspect will encompass the propriety of loan making and servicing in the Rural Rental Housing Program (loan approvals, project construction and operations) and Community Programs. REA subsidized loans are also considered to be a critically vulnerable area. The agency continues to make subsidized loans to borrowers who could afford to obtain private financing. These borrowers had a total operating surplus in FY 1987 of over \$1.3 billion and equity of nearly \$13 billion as of September 30, 1987. Two major audits are planned in REA operations – Financial Strength Criteria for Electric Distribution Borrowers and the REA Telephone Program.

### **INVESTIGATIONS**

The investigative strategy for direct and insured loans involves the programs of FmHA and REA. FmHA furnishes a variety of loans to farmers, secured by real estate, machinery, crops, or livestock; it also furnishes housing loans to individuals and real estate developers in rural areas. REA furnishes subsidized credit to rural electric cooperatives and rural telephone cooperatives. Both agencies are required to contact OIG when they suspect loan fraud, including: false or fraudulent statements to obtain loans or to continue loan agreements; diversion of loan proceeds; unauthorized disposition of Government-mortgaged property; and embezzlement of loan proceeds.

Our strategy in FmHA farm loans is similar to our ASCS strategy. The largest volume of investigations concern unauthorized sale or disposition of Government-mortgaged property. OIG regional offices maintain close coordination with FmHA State Offices to ensure clear communication and prompt referral of investigative matters. Our case opening decisions are based on the likelihood of criminal prosecution or large civil recovery. Cases not meeting those criteria are referred back to FmHA for appropriate administrative action.

OIG's headquarters staff is responsible for maintaining liaison with FmHA National Office personnel, informing our regional offices of program changes, developing national guidelines for referral, and analyzing program provisions for their potential for abuse. During FY 1989, we met with FmHA management to point out provisions of the Agricultural Credit Act of 1987 which could have substantially reduced the likelihood of pursuing criminal prosecution against borrowers who had converted FmHA-mortgaged collateral. As a result, legislation has been introduced which, if enacted, would modify program provisions and reduce the potential for abuse.

A second area of concern is fraud in the FmHA Rural Housing Program and Rural Rental Housing Program. Fraud in Rural Housing is usually due to underreporting of income by interest credit recipients, in order to receive interest credit subsidies to which they are not entitled. Fraud in the Rural Rental Housing Program often consists of escalation of construction costs and diversion of funds by project developers. We anticipate continued activity in this area in FY 1990.

We anticipate that the overall number of FmHA referrals will remain steady during FY 1990. However, we plan to increase our emphasis in this area, from 22 percent of our investigative staff days in FY 1989 to a projected 23 percent in FY 1990.

Most of our REA investigations have involved either embezzlement or diversion of loan funds, or inflation of construction costs to receive additional loans. We receive a relatively small number of investigative referrals from REA each year, and during the last 2 years we have worked closely with REA personnel in order to ensure that those matters which may need investigation are recognized and are referred to OIG in a timely manner. However, we anticipate that the percentage of OIG staff days spent in REA investigations will decrease, from 2.5 percent in FY 1989 to 1.5 percent in FY 1990.

## GUARANTEED LOANS

In order to minimize dollar outlays and reduce exposure to dollar loss, the Federal Government enacted a shift from direct to guaranteed loans. During FY 1988, FmHA and REA approved loans totaling 3.9 billion, of which 56 percent, or \$2.2 billion, were guaranteed loans. As of September 30, 1988, outstanding guaranteed commitments totaled about \$26.7 billion. The two overall objectives in monitoring and reviewing guaranteed loan programs are to (1) determine whether loan-making activities are effectively carried out in compliance with program requirements and sound lending principles, and (2) evaluate the effectiveness of loan servicing activities and portfolio management. OIG carries out these objectives by performing reviews of two major USDA agencies that guarantee loans — Farmers Home Administration and the Rural Electrification Administration.

In FY 1989 we performed a review entitled FmHA Interest Accrual on Guaranteed Loans Delinquent Over 90 Days. This audit disclosed that FmHA has lost millions because lenders were permitted to accrue interest indefinitely in that loss reports did not have to be submitted in a timely manner on defaulted loans. Accordingly, due to the high interest rates and the certainty of payment, lenders had a disincentive to file claims.

In FY 1990, our strategy will focus on the following four areas: program implementation, liquidation of guaranteed loans, the Interest Rate Reduction Program, and portfolio management. Program implementation will encompass a followup of our 1988 audit of the FmHA shift to guaranteed loans from direct loans. We found that FmHA has not been successful in using available guaranteed loan funds or shifting FmHA borrowers to guaranteed loans, as mandated by the 1985 Farm Bill. We will also review REA guaranteed loan borrowers deriving the majority of their revenues from non-Act beneficiaries. Liquidation of guaranteed loans will entail reviews of the liquidation process and the propriety of loss reports. Interest Rate Reduction activity consists of two types of guaranteed loans: one for farmer programs (with an interest rate reduction of 2 percent) and the other to purchase Farm Credit System inventory (with a reduction of 4 percent). Both will be assessed in FY 1990. Portfolio management will examine REA's treatment and handling of guaranteed loan borrowers who are seriously in default.

## ASSETS SALES

We have developed a new strategy for FY 1990 to address the many new initiatives dealing with the sale of the Department's loan receivables. The Omnibus Budget Reconciliation Act of 1986 (OBRA) directed the Secretary of Agriculture to sell notes from the Rural Housing Insurance Fund in FY 1987 and from the Rural Development Insurance Fund in FYs 1987, 1988, and 1989. For 1987 FmHA was required to make sales such that net proceeds of not less than \$1.715 and \$1 billion for Rural Housing and Community Program loans, respectively, would accrue to the Government. The OBRA did not require Rural Housing sales in FYs 1988 or 1989, however, Community Program loans sales of \$552 million and \$547 million were required for FYs 1988 and 1989, respectively. In addition, continuing resolutions for FY 1987, 1988 and 1989 required additional Community Program sales of \$25.5 million, \$36 million, and \$37 million. Discount Purchase Programs were enacted in 1988 and 1989 which permitted Community Program borrowers to repurchase their loans at a 33 percent discount. Both discount purchases were over subscribed, negating the need for the planned securitized sales.

The Office of Management and Budget has proposed new sales in FY 1990 to generate revenues of \$1.3 billion from the Rural Housing portfolio and \$67 million from the Community Program portfolio.

Although all sales were considered non-recourse, FmHA is obliged to substitute new loans for any sold loans subsequently found to be defective by the Loan Trustees. Several hundred loans have been substituted and thousands are under further review.

FmHA's primary commitment to the servicing of sold loans is the payment of interest credit on Rural Housing loans. Although all loans were non-interest credit when sold, they may become interest credit subsequently. Currently, FmHA is paying about \$5 million annually in interest credit on sold loans and estimates the eventual yearly expense to be over \$12 million.

REA has also had recent borrower buyback and refinancing initiatives. Fifty borrowers were permitted to repurchase their obligations of about \$727 million for approximately \$424 million. Further, guaranteed loan borrowers have been permitted to refinance, without penalty, about \$2.5 billion, resulting in the waiver of about \$633 million in penalties. In addition, telephone borrowers have most recently paid off about \$131 million in loans, also without penalty.

Lastly, the Agricultural Credit Act authorized a secondary market for the continuing sales of guaranteed loans. Although the regulations have not yet been published, it is expected that guaranteed loans will be "pooled" and sold to investors.

Audit work is planned in FY 1990 to review the proposed asset sale, the loan substitution process, the propriety of FmHA's interest credit payments, and the secondary market activities.

## RURAL DEVELOPMENT

Rural Development is a new strategy for FY 1990 developed to address the many disparate initiatives that have evolved recently. Most of these initiatives appear to overlap each other and to duplicate FmHA's long-standing Business and Industry (B&I) Loan Program. Three new program areas of FmHA are (1) Non-Profit National Cooperatives (NNC) Loans and Grant Program, (2) Rural Development Grant Program, and (3) Intermediary Relending Program. The NNC is comprised of three nonprofit corporations located in Washington, D.C., Louisiana, and Minnesota. These corporations have been authorized to provide loans under FmHA guarantee or grant funds. A total of \$33 million (\$14 million in grants, \$19 million in loan guarantees) have been authorized for NNC purposes. The Rural Development Grant Program, appropriated for \$6.5 million in FY 1989, is one in which FmHA provides direct funding for the development of industrial sites or other rural business start-ups. The Intermediary Relending Program, which has received about \$14 million in funding, is a program, like the NNC, in which FmHA makes loans or grants to an intermediary concern, which, in turn, makes funds available to rural developers.

The Omnibus Budget Reconciliation Act of 1987 amended the Rural Electrification Act of 1935 to provide authority for REA to make zero interest loans and grants for promoting rural economic development and job creation projects. Congress appropriated \$540,000 for this activity in FY 1989, but \$11.5 million has been proposed for 1990.

A primary component of USDA's rural development programs has historically (since 1972) been the B&I loan programs. Over 7,000 loans have been obligated for guarantee totaling about \$5.9 billion. In addition, the Disaster Assistance Act of 1988 authorized \$200 million in new guarantees to those adversely impacted by natural disasters in 1988.

The Senate recently passed Bill Number 1036, the Rural Partnerships Act of 1989. The bill provides for the creation of an Assistant REA Administrator for Rural Economic Development and a development technical assistance group at the agency. Five new programs were created:

- (1) Water and Waste Facilities Financing. The authorization of appropriations for this program shall not exceed 10 percent of the Rural Electric and Telephone Revolving Fund insured money or \$40 million, whichever is less.
- (2) "Incubator Funding" by Treasury. The Secretary of Treasury is to purchase Capital Term Certificates each fiscal year until 1995 in the amount of \$10 million per year to be used to spur rural development.
- (3) Grants for Education Opportunities Through Telecommunications. Appropriations of \$10 million are authorized for FY 1990 and FY 1991, \$20 million for FY 1992, and \$30 million for FY 1993 and 1994.
- (4) Medical Link Telecommunication Program. Appropriations of \$10 million are authorized for FY 1990, \$15 million for FY 1991 and FY 1992, and \$20 million for FY 1993 and 1994.

(5) Business Link Telecommunication Program. Appropriations of \$5 million are authorized for FY 1990 and \$10 million each year for FY 1991 through 1994.

The bill impacts on several of the existing FmHA programs and also creates new programs. It appropriates \$2.5 million for FY 1990 and \$5 million for each subsequent fiscal year for Emergency Assistance Loans. Appropriations for Water and Waste Facility Grants are increased from \$154.9 million to \$204.9 million. The bill also creates a new Emergency Grant Program for drought problems with an appropriation of \$25 million.

Our strategy deals with these new programs from the program results perspective; specifically, our concerns are whether the goals and objectives are met in an economical and efficient manner and if duplication is minimized. Audit work is scheduled in all program areas.

## INSURANCE

### AUDIT

The Federal Crop Insurance Corporation (FCIC) is a wholly-owned Government corporation created to improve the economic stability of agriculture through a sound system of crop insurance. FCIC is authorized to offer all-risk insurance for over 50 commercial crops in all agricultural counties (over 3,000) in the United States, and to subsidize premium payments. Eighty-five percent of all insurance policies are offered through an all-private delivery system which is reinsured by FCIC. The balances are sold by vendors under contract to FCIC.

Recently, both OIG and GAO audits have noted excessive error rates in loss adjustment and in the payment of claims to reinsured producers. The audits identified a greater potential for fraud because of the lack of FCIC oversight and economic incentives for cheating both by producers and by reinsurance personnel. Private insurance agents and claims adjusters are in a position to enter into collusive agreements with farmers to allow them to receive payments for fictitious losses and thus maintain their insurance business and annual insurance premiums. These acts on the part of the reinsurance agent, adjuster, or others associated with the crop insurance program are of major concern to OIG because of the potential for systematic program abuse.

The OIG Annual Plan for FY 1989 included reviews of various aspects of the insurance strategic area such as controls over field underwriting offices operations, indemnities for claims, loss adjustments, farm acreage yields and units, actual production history, and ADP systems. The nationwide audit of FCIC's dual delivery system contracts for Crop Year 1988 identified millions of dollars in overpayments of indemnities to producers and weakness in loss adjustment procedures. Because a recent OIG audit revealed a 50 percent error rate on selected claims, material weaknesses in premium collections, and the fact that FCIC has not conducted internal control reviews of reinsurance, we consider the activities of the FCIC to be highly vulnerable to fraud, waste, and abuse.

In addition, documentation furnished to OIG during the followup on an audit of reinsurance operations raised questions regarding appealing claims. We noted that the agency can reverse its decision on any claim and dollar amount during the appeals process; interest and penalties are not charged by the agency on claims until the claim is established as an accounts receivable; and the authority granted to the agency allows accounts receivables up to \$20,000 to be waived.

Congressional concerns for farmers and the need for supplemental disaster payments for losses due to the 1988 drought led to enactment of legislation last year establishing a Commission of producers and insurers to review and make recommendations for improving the insurance programs.

In FY 1990, OIG will continue to conduct reviews of the Reinsurance Program; Acreage Reports; Office of Compliance operations; all four of FCIC's ADP systems; the Actuarial and Underwriting Service Division operations; the Litigation, Appeals and Claims Process; and Internal Controls. The FY 1990 plan also calls for a review of the 32 recommendations made by the Federal Commission for the Improvement of the Federal Crop Insurance Program.

## INVESTIGATIONS

Conspiracy between farmers and their crop insurance agents or adjusters can result in the loss of millions of dollars to the Government. For this reason, OIG has allocated an increased amount of time to FCIC investigations during the last 2 years. Although our interest in both this type of case and in crop insurance fraud by producers remains strong, we anticipate that the number of FCIC referrals will decrease during FY 1990, due to increased program monitoring by the FCIC Office of Compliance. Therefore, we project that the percentage of OIG staff days involved in FCIC investigations will also decrease, from 6.3 percent in FY 1989 to approximately 5 percent in FY 1990.

## **ENTITLEMENT PROGRAMS**

### **AUDIT**

Within the Food and Nutrition Service (FNS) areas, the Department administers three major entitlement programs which account for approximately \$29.3 billion in FY 1990 (30 percent of USDA's budget). These programs are: the Food Stamp Program (FSP), the Child Nutrition Program (CNP), and the Supplemental Food Program for Women, Infants and Children (WIC). The programs are administered by the States through agreements with FNS. The States, in turn, enter into agreements with county and project offices to deliver program benefits. Our strategy in this area is to focus both on the overall management role of the administering program agency, FNS, and the adequacy of controls and systems used to manage the programs.

In FY 1989, OIG audit coverage was provided to all major programs with emphasis on (1) the bank monitoring system, (2) controls over recipient claims in the FSP, (3) selected monitoring of non-Federal automated data processing (ADP) systems, (4) administrative costs in the FSP programs, and (5) National School Lunch Program operations involving food service management companies.

Since these programs are susceptible to fraud, waste, and abuse, certain checks must be in place to ensure that the programs operate in the most efficient, effective and economical manner possible. In planning for FY 1990, we reviewed the programs' control mechanisms, the audits conducted in these areas, and the results of the audits in an effort to ensure that emphasis is being placed where needed. The following conditions indicate that selected areas of the entitlement programs are critically vulnerable: (1) the bank monitoring system lacks controls, (2) States continue to charge ineligible administrative costs (\$12.5 million in 10 State agencies), (3) improvements in claims management could save \$68 million, (4) Food Stamp case file documentation fails to fully support an estimated \$170 million to 252,000 households, (5) Women, Infants and Children vendor monitoring systems needs strengthening, (6) problems in School Lunch meal counts resulted in \$560,000 in overclaims in one school district, and (7) Food Distribution Program processors are not meeting yield requirements.

For the FY 1990 program, OIG again plans to spend a substantial portion of its resources in the entitlement programs. Major audits will cover (1) a review of the implementation of the income eligibility and verification system, (2) matching efforts in several large metropolitan areas to identify Federal and U.S. Postal Service employees who underreport their income, (3) reviews of the FSP issuance system, including pilot programs such as the electronic benefit transfer system, (4) followup review of the security of selected non-Federal ADP systems, (5) review of the redesigned retailer tracking system, (6) administrative costs in both the WIC and CNP programs, (7) recoupment and claims disqualification procedures, and (8) an assessment of the Federal review program in the National School Lunch Program.

## INVESTIGATIONS

OIG's investigative activities in the FSP have traditionally focused on fraud by retailers authorized to accept food stamps and on "food stamp trafficking," which is defined as the unauthorized acquisition of food stamps in exchange for nonfood items and their use as a "second currency" by persons not authorized to participate in the Food Stamp Program. Although the latter problem is not new, it has recently received increased public attention due to the use of food stamps in drug trafficking transactions.

In FY 1990, OIG will continue to emphasize these two areas of investigation. Since the authorized retailer is the key to eventual redemption of illegally obtained food stamps, we will continue to place major emphasis in this area. We will also look at unauthorized retailers, including those previously disqualified from the FSP for serious violations, who continue to accept food stamps in willful disregard of program regulations. We have met with representatives of FNS to develop new initiatives for action against unauthorized retailers involved in food stamp trafficking. We fully support the Department's intent to pursue civil prosecution against traffickers who present food stamp redemption claims to the Government.

We will continue to conduct food stamp investigations jointly with other Federal, State, and local law enforcement authorities. We find that this results in a more effective use of limited investigative resources, as well as improved intelligence gathering. We are also developing a closer relationship with the FNS Compliance Branch, and will attempt to develop new initiatives for coordinating our resources.

In FY 1990 the investigative resources dedicated to FSP investigations will increase, from 25 percent of our available staff days to approximately 30 percent, but we project that the total percentage of our time devoted to FNS programs will decrease slightly, from 34.3 percent to 33 percent. FNS will continue to be the USDA agency to which we devote the most investigative resources.

## **CONSUMER PROTECTION**

### **AUDIT**

Consumer Protection activities within the Department include those activities designed to assure that the food the consumer eats is safe, properly labeled and graded, and that the Nation's plant and animal resources are safeguarded. These activities are performed by the Food Safety and Inspection Service (FSIS), the Agricultural Marketing Service (AMS), the Federal Grain Inspection Service (FGIS), the Animal and Plant Health Inspection Service (APHIS), and the Packers and Stockyards Administration. They include: in-plant inspections of all domestic establishments preparing meat and poultry products for sale or distribution; review of foreign inspection systems and establishments; inspection and quarantine of animals and plants at U.S. ports-of-entry; control of agricultural losses caused by predatory animals; developing standards for licensing and testing veterinary biologicals; establishing grading standards for eggs, tobacco, livestock, dairy, poultry, fruits, vegetables, and grain; and performing weighing and inspections to ensure the standards are met. The public depends upon these agencies to safeguard it against bacteria, pesticides, and other chemical contamination.

Our FY 1989 annual audit plan for the consumer protection strategic area included audits related to the inspection of egg products and the grading of meat. We also issued reports on quarantine controls over contaminated animals and the identification of all end users of imported tobacco entering the United States. The audits resulted in recommendations to the agencies to improve the sanitation and the handling of chemicals in egg plants and the process to ensure that meat is properly graded. The audits also made recommendations for improvements in the control of diseased animals and the reporting of users of imported tobacco.

Since food safety problems have received considerable attention over the last year, our FY 1990 annual plan includes work to assure that the Department is effectively protecting both the consumer and the agricultural resources of the Nation. Major surveys or audits are scheduled in the Agricultural Marketing Service, the Food Safety and Inspection Service, and the Animal and Plant Health Inspection Service. In AMS we will survey the inspection and grading process for dairy products and fruits and vegetables. Activities in APHIS include surveys of the brucellosis eradication program, animal welfare activities and the swine identification program. In FSIS, we will assess corrective action taken on problem meat plants and the effectiveness of FSIS in ensuring that State meat and poultry inspection programs apply inspection standards at least equal to those applied under Federal inspection.

### **INVESTIGATIONS**

Helping to ensure the health and safety of the public remains OIG's highest priority. When threats to public health are identified, such as allegations of product tampering in products regulated by the Department, OIG immediately goes to work as part of a team of USDA agencies in order to determine the extent of the problem; to identify its cause; to take corrective action; and to seek criminal prosecution, if appropriate.

On a day-to-day basis, we continue to work in close coordination with other USDA personnel to guard against deliberate criminal acts that endanger the health and safety of the public or which result in economic damage to the public from misrepresentation of the quality of agricultural products. In order to carry out this function, Investigations has established and maintains close contact with FSIS, AMS, FGIS, and APHIS, as well as with the Regulatory Division of the Office of the General Counsel.

In FY 1989, investigative activity involving violations of the Federal Meat, Poultry, and Egg Products Inspection Acts, as well as other areas of food regulation, accounted for approximately 12.5 percent of investigative staff days. It is anticipated that activity in this area will require approximately 11.5 percent of available workdays in FY 1990.

## **FOREST SERVICE**

### **AUDIT**

The Forest Service is responsible for applying sound conservation and utilization practices to the natural resources of the National Forests and grasslands. The National Forest System covers 191 million acres of public lands administered through 9 regional offices and 661 ranger districts. Forest Service operational activities are numerous and diverse, encompassing the management of timber sales, fish and wildlife habitat enhancement, recreational sites, fire fighting and protection, cooperation with State and local government and private forest land owners, and forest and rangeland research. The Forest Service's FY 1990 budget is about \$2.5 billion.

Forest Service programs, from the standpoint of materiality, decentralization of operations, and special concerns, are inherently vulnerable. Of particular concern are Forest Service Regions (covering the States of Washington, Oregon, and California) that sell the majority of timber nationwide. These Regions employ timber sales methods that are highly vulnerable to dollar loss including timber valuation prior to bid, the bidding process, and ensuring all timber harvested is paid for.

In FY 1989, we conducted reviews of timber theft controls and timber scaling activities in the Pacific Northwest, Knutson-Vandenberg Fund balances, the Federal Excess Personal Property Program, and the control of Unemployment Compensation costs. Significant problems were noted in all areas examined.

Our Forest Service strategy is agency-wide. In FY 1990, we have planned a comprehensive survey approach of all major programs, to include: Timber Sales and Management, Road Construction and Maintenance, Land Acquisition and Exchange, Minerals and Recreation Management, Brush and Salvage Funds, and Fire Fighting Activities.

### **INVESTIGATIONS**

In FY 1989, Investigations completed an internal instruction on methods of investigating allegations of bid rigging in Forest Service timber sales. We will continue to initiate investigations in this area, although we anticipate that in FY 1990 the percentage of our staff days spent on Forest Service matters will decrease to approximately 1.5 percent.

## MANAGEMENT AND CONTROL OVER ENVIRONMENTAL HAZARDS

OIG has introduced a new audit planning strategy for FY 1990 that will bring together a wide range of agency programs and operations under the general concern for the protection of the environment and the abatement of environmental hazards that derive from practices in agriculture and forestry. Principally in reference to Executive Order 12088, "Federal Compliance with Pollution Control Standards," and OMB Circular A-106, "Reporting Requirements in Connection with the Prevention, Control, and Abatement of Environmental Pollution at Existing Federal Facilities," the work carried out under this title will address the Department's three roles in environmental hazards: as a source and contributor; as a means to improvement; and as an agent of change. In FY 1990, there is more than \$200 million appropriated for environmental action projects.

Individual agencies of the Federal Government are required to identify and remedy their deficiencies with regard to Federal, State, and local standards on environmental quality, including: air, noise, water, pesticides, chemicals, and toxic and radioactive waste. USDA operates over 21,000 buildings at more than 15,000 locations and controls nearly 173 million acres of land. Working together with the Environmental Protection Agency, priority problem areas are scheduled for remedial actions. These plans are coordinated through a central committee and presented as a single funding item under the budget for Departmental Administration. Violations of Federal or State standards at Government owned or operated facilities subject agencies to legal and administrative actions that may even result in criminal prosecution of Federal employees.

Agriculture is recognized as one of the major contributors to nonpoint water source pollution (for example, nitrates from farm land which seeps into streams and larger bodies of water). The Department's role in the Presidential initiative on water quality currently exists as a collection of agency operated programs brought to focus in a single technical assistance and research plan through the efforts of the interagency Committee on Water Quality. Particular attention is given to the individual and combined impacts of agricultural chemicals and pesticides. While the Department's water quality policy has developed rapidly, GAO and Congress have continued to challenge the effectiveness of an effort that is being guided outside the traditional lines of authority.

Other organized programs under this strategy represent USDA's application of the National Environmental Protection Act to specific agricultural fields like pesticides, biotechnology and agricultural chemicals. These are basically information gathering and assessment activities intended to minimize the risk to the environment from new and existing agricultural practices. Also within the scope of this strategy will come the Health and Safety programs of individual agencies which endeavor to reduce risk from environmental hazards to USDA employees working at Government owned or operated facilities through such efforts as radon testing, asbestos removal, PCB replacement and air quality control.

For the first year of this strategy, OIG has planned two fundamental surveys. The first survey will provide an independent assessment of the Department's implementation of A-106 by identifying the need for environmental action at USDA locations and determining the status and appropriateness of any planned responses. The second survey will address the organization and development of the Department's water quality policy and program agenda taking into account the competitiveness of these projects with other program funds and the possibility of duplicative projects. The success of environmental projects now underway within the Department will be reviewed and reported along with recommendations for future audit scrutiny and assistance. The overall strategy objective for Environmental Hazards is centered on the role that oversight can play in providing assurances of the abatement of environmental hazards.

## RESEARCH AND TECHNOLOGY TRANSFER

USDA is the lead Federal agency responsible for the coordination of Federal, State, and private investments in the discovery and application of new and improved technologies for agriculture and forestry. The research agencies of the Department of Agriculture which include the Agricultural Research Service, the Cooperative State Research Service (CSRS), and the Economic Research Service, are inextricably linked to the technology transfer agencies and programs throughout USDA. All agencies in the Department make their contributions to the profitability of American agriculture more effective through application of the most current information obtained from the physical, biological, and social sciences. Particular support for the distribution of the latest technology and information is given by the Extension Service, the National Agricultural Library, the Human Nutrition and Information Service, and the World Agricultural Outlook Board. The annual appropriations for USDA research activities exceeds \$1 billion.

The National Agricultural Research Extension and Teaching Policy Act establishes a cohesive interdisciplinary research effort for the development and transfer of technology that is appropriate to the farming community. Research is carried out directly by USDA, in partnership with the State Agricultural Experiment Stations, through grants to institutions and individuals, and through cooperative agreements with private industry. The OIG research strategy goal is to ensure that agricultural research, extension, and teaching funds are being applied effectively and efficiently.

FY 1989 audits reviewed the implementation of grants for research and extension at selected land grant institutions. Findings included disallowed indirect costs, misapplications of funds for salaries and benefits, and inadequate financial and administrative reports. Changes were recommended to improve CSRS controls over grants for the construction and renovation of research facilities at 1890 Land Grant Institutions.

In FY 1990, OIG has planned three surveys that will also provide groundwork for the direction and selection of future audits. The status and products of the Department's interactive planning process will be described and assessed to provide assurance of compliance to the statutory intent for these programs. Work will begin on the effectiveness of USDA management over the several means used for funding agricultural research and extension projects. Reviews will be made of the accountability needs of the grants programs with the intention to improve reporting requirements and responses. Individual program objectives like Aquaculture and the Small Business Initiative research grants will be assessed for the quality of their design and efficiency in the distribution of these resources. The effectiveness of the Extension Service in managing the Extension Facilities Program will be surveyed early in its implementation to prevent control problems later.

## PROCUREMENT AND CONTRACTS

Procurement of and contracting for goods and services to support and augment agency operations within USDA exceeds \$2 billion annually. The range of procurement and contracting is broad and includes purchases of meat, poultry, and fish; the sale of timber; printing, storage, delivery, and distribution of food stamp coupons; and consulting and advisory and assistant services. Governmentwide policy direction is provided by the Office of Management and Budget's Office of Federal Procurement Policy. Acquisition regulations and cost principles are promulgated and authority is delegated to Federal Departments and agencies by the Federal Acquisition Regulatory Council. Within USDA, the Office of Operations provides oversight for Departmental procurement and contracting functions and delegates contracting authority to agency contract officials and their staffs. The National Finance Center performs the accounting and payment functions for most agency procurements.

During FY 1989, OIG audits of contracts were performed to assist USDA procurement offices in the negotiation, administration, and settlement of USDA contracts and subcontracts. We performed or arranged for audits of 32 pricing proposals, cost reimbursement contracts, or contractor claims. These audits resulted in questioned costs or potential savings of more than \$7.1 million. Also, during FY 1989, management decisions were made on 29 contract audits, resulting in savings of about \$5.3 million.

As required by Title 31, U.S.C. 114(b), we reviewed the Department's management controls over consulting services and the integrity of the data reported into the Federal Procurement Data System about consulting services contract awards. Year-end procurement transactions were reviewed to determine whether they were properly planned, controls over unnecessary year-end spending were adequate, and preventive methods were in place to eliminate wasteful spending.

In FY 1990, OIG will conduct an A-76 type review of a motor vehicle study planned by the Department under Public Law 99-272. Under this law, the Department is conducting a comprehensive and detailed study of the costs, benefits, and feasibility of relying on the General Services Administration, entering into a contract with a qualified fleet management firm, or using any other means less costly to meet motor vehicle operation, maintenance, leasing, acquisition and disposal requirements.

## ACCOUNTING AND FINANCIAL MANAGEMENT

Under the Accounting and Financial Management strategy, OIG addresses the responsibilities of the Office of Finance and Management (OFM), Departmental cash and debt management, and accounting and financial management systems of the Department. OFM provides Departmental leadership and oversight for the development, evaluation, and maintenance of accounting and financial management systems. OFM assists agencies in ensuring that cash and debt management practices are efficient and effective. OFM maintains the Central Accounting System at the National Finance Center (NFC), which provides central accounting services and maintains accounting records for various agencies of the Department. NFC also provides administrative services and maintains administrative accounting for Departmental agencies. In addition, NFC has become a leader in the Federal Government providing cross-servicing functions to agencies and Departments outside of the Department of Agriculture.

As of September 30, 1988, debts due the Department totaled over \$128 billion. Of this amount, approximately \$11 billion was overdue. For FY 1988 the cash payments collected by the Department totaled approximately \$21 billion. Six major accounting/financial management systems with 50 subsystems control these financial transactions.

In 1985, to meet the mandates of the Office of Management and Budget (OMB), the Department established a goal to implement a single, integrated Departmental financial information system to maintain accounts as outlined by the requirements of the Standard General Ledger. During FY 1988 NFC completed development and implemented the Departmentwide Financial Information System (DFIS) to meet this objective. Each of the individual agency's major accounting/financial management systems and the Central Accounting System became components of DFIS.

The Comptroller General has expressed concerns that financial statements within the Federal Government have not been subject of audits by auditors either inside or outside Government. Beginning in FY 1985, GAO initiated reviews of Government financial statements and asked the Inspector General community to assume responsibility for these audits. In the past OIG has performed reviews of financial systems on a limited basis. The reviews have included a range of analyses from selected general ledger accounts to a complete review of a financial accounting system. Financial management systems and accurate financial reporting are of special interest to top Government officials. Sound accounting practices have been emphasized in the Government for many years. OIG must stay attuned to probable changes and the recent added emphasis on financial management and statements.

Cross-servicing agreements between OFM, NFC, and non-USDA agencies continue to expand. Expansion of NFC services beyond the confines of USDA agencies requires added audit effort to ensure that the proper controls are in place. Many agencies are currently transmitting data to NFC electronically. The growth of remote job entry and inquiry capabilities will require a vigorous level of controls both at NFC and at the electronic transmission sites.

Prior audits have identified a need for stronger internal controls within USDA. OIG needs to review and analyze those USDA systems having medium to high levels of vulnerability. These systems should be examined to ensure that agency obligations and costs are in compliance with applicable laws, and the funds, property, and other assets are safeguarded against waste, loss, and unauthorized use. OIG also needs to conduct sufficient reviews to ensure revenues and expenditures are properly recorded and accounted for.

OIG has performed numerous reviews of the cash and debt management operations of the Department. However, continued emphasis needs to be placed on the functions performed by the Department to improve cash and debt management.

In FY 1989, OIG established the Accounting and Financial Management Division to place greater emphasis on audits in the financial and accounting areas and to help ensure more uniform planning and effective control over this expanding audit area. We also participated with GAO in performing an audit of the FmHA financial statements. Other audits performed during FY 1989 in the financial management area addressed the effectiveness of the FmHA Guaranteed Loan Accounting System in meeting agency needs, adequacy of automated controls and system documentation involving newly developed NFC accounting subsystems, and the accuracy of the NFC cost accounting system in generating billings and charges for NFC services. We also reviewed internal controls established over Imprest Funds and evaluated the Department's review processes in meeting the requirements of the Federal Managers' Financial Integrity Act (FMFIA).

For FY 1990 we plan to be involved in the conduct of financial statement audits involving the Farmers Home Administration, Commodity Credit Corporation, Federal Crop Insurance Corporation, and the National Finance Center. We also plan to evaluate Departmental debt management and collection initiatives, cash management practices, internal controls established, and agency actions to correct control weaknesses identified in FMFIA reviews. Other audit areas will include travel voucher approval and processing, the Department's Working Capital Fund, DFIS, the Purchase Order System, and loan repayment activities.

## AUTOMATED DATA PROCESSING (ADP) SYSTEMS

The Automated Data Processing (ADP) Systems strategy addresses the Department's management and utilization of program and administrative information and information resources within the purview of the Office of Information Resources Management. This includes Departmentwide ADP and telecommunications service provided by the National Computer Center (NCC) at its two locations in Fort Collins, Colorado, and Kansas City, Missouri. In addition, this strategy also addresses the major ADP, Information Resources Management (IRM), and office automation systems developed and maintained by USDA agencies to support program and management functions.

Our audits of NCC functions and activities have surfaced vulnerabilities and weaknesses in NFC and agency security and control areas. Enactment of the Computer Security Act of 1987 and widely publicized incidences of unauthorized access to major national and international ADP systems and networks by hackers have underscored the importance of computer security and control.

Currently, agency developed and controlled ADP/IRM systems handle 70 percent of the Department's data processing needs, with the Departmental computer center handling 30 percent. However, only a few years ago, Departmental computer centers handled the majority of agency processing needs. Agency controlled systems which continue to expand, utilize a high degree of distributed processing using personal computer networks involving minicomputer and mainframe telecommunication configurations. Such environments underscore a broad range of computer security and control issues. These issues involve data integrity and transmission, unauthorized access, equipment compatibility, data integrity and transmission, unauthorized access, equipment compatibility, telecommunication links, software development, equipment buying and upgrade, equipment location, processing of sensitive information, system documentation and security plans.

The life cycle development process for new or expanding ADP/IRM systems is also a major audit concern. Audit focus will be on major ADP/IRM systems characterized by such factors as dollar value of investment, program dollars to be processed/controlled, degree of sensitivity of information to be processed, volume of users, system size, and high level management interest. OIG audit efforts will be applied to the most critical phases of the life cycle processes, such as the development plan, needs determination, system justification, cost/benefit analysis, and user acceptance testing.

In FY 1989 we performed ADP audits involving systems security at the NCC, NFC automated system controls and documentation, and the maintenance of logon identifiers and security within the ASCS Grain Inventory Management System. We evaluated the design of the ASCS smart card system involving the transmission of tobacco marketing data from 13 auction warehouses and 10 ASCS field offices to a central computer system. We reviewed the 1988 Disaster Program, State and County Office Automation Project (SCOAP) software to determine the adequacy and effectiveness of internal controls. We also evaluated the Forest Service Automated Purchase Order System to ascertain the effectiveness of the general, administrative, system function, and application controls. In addition, we continued to monitor the development of non-Federal ADP systems. Non-Federal system development

efforts involving the Food and Nutrition Service were reviewed in Mississippi, South Carolina, and California.

We plan in FY 1990 to assess the security and controls implemented by NCC, NFC, the Farmers Home Administration, and the Agricultural Stabilization and Conservation Service over automated systems and transactions. In addition, we intend to evaluate the management and security involving the Department's local area networks, and assess the adequacy and effectiveness of the controls established over the Department's automated administrative payment systems. We also plan to evaluate the integrity of automated data contained in SCOAP. Other ADP areas where audit work is anticipated includes the controls over FmHA automated system modifications and enhancements, FmHA contracting for ADP and IRM support, analysis of automated data base information for audit leads, and agency compliance with ADP regulatory requirements.

## **EMPLOYEE INTEGRITY**

### **AUDIT**

Ensuring the integrity of USDA personnel is a major OIG priority. It is essential to maintain the public's confidence that its tax dollars and resources are adequately protected. A myriad of laws, executive orders, and regulations prescribe what is expected of public servants before, during, and after Government employment. They require pre-employment investigations into a prospective employee's character and fitness for public service. During employment, public servants are held to high ethical standards. These include prohibitions against acceptance of gifts and gratuities, private compensation, and even the appearance of a conflict of interest. Employees in specified positions must complete statements of employment and financial disclosure annually. Certain prohibitions apply after an employee leaves Government. For example, the Federal Procurement Policy Act (41 U.S.C. 23) contains revolving door restrictions. It imposes a 2-year restriction prohibiting individuals from representing a contractor in the negotiation or performance of a contract if that individual was personally and substantially involved in either the negotiation or the review and approval of that same contract as a Government representative.

In FY 1988 the Secretary's report to the President on the Department's management controls required by the Federal Managers' Financial Integrity Act disclosed that security background investigations and periodic checks were not carried out on system programmers at the Fort Collins Computer Center. The Secretary also reported a problem pertaining to the acceptance of gifts and gratuities. OIG has not conducted recent reviews of the Department's suitability and security programs. It has, however, conducted recent reviews of the Ethics program and found that certain employees in two agencies who were involved in commodity price determinations were not required to file statements of employment and financial interest. A current OIG review also found that the Department does not have a method for monitoring post-employment activities of former employees.

In FY 1990 because of the recent disclosures of influence peddling and other improprieties within the Department of Housing and Urban Development, OIG plans to conduct an evaluation of the controls over and the propriety of Rural Rental Housing project approvals, including the ranking process. We also plan to conduct: a review of the statements certain officials are required to file concerning outside financial interests; an evaluation of management controls over the prevention, detection, and resolution of prohibited employee activities, such as conflicts of interest; and a determination of the feasibility of requiring financial disclosure statements by all loan approval and payment approval officials.

### **INVESTIGATIONS**

Employee integrity investigations continue to be a major priority for OIG. During the past fiscal year our investigations resulted in 15 criminal convictions, 4 pretrial diversions, and 80 personnel actions against current or former USDA employees.

Employee misconduct matters most often involve allegations of conflict of interest, misuse of an official position in order to obtain unjustifiable benefits, and bribery. OIG attempts to promptly resolve allegations of employee misconduct, in order that the agencies involved may proceed with appropriate administrative action.

USDA regulatory employees are instructed to report offers of bribes or gratuities by calling the OIG "direct line," a telephone line which is answered 24 hours per day. Callers wishing to report such offers are immediately put in touch with a Special Agent, who instructs the caller on proper procedures to follow. These matters are given the highest possible investigative priority.

In FY 1989 9.6 percent of available workdays were devoted to employee misconduct investigations. Investigative activity in this area is expected to remain at approximately this level in FY 1990.

## PROGRAM COMPLIANCE, ECONOMY, AND EFFICIENCY

### AUDIT

The Program Compliance, Economy, and Efficiency strategy includes all programs and activities not included in other strategic areas. It includes special requests, audit followup, Single Audits of State and local governments, and the quality of audits performed by non-Federal auditors. It also includes audits in organizations such as the Soil Conservation Service, Office of Operations, National Agricultural Statistics Service, and the Office of the General Counsel when the audit area is not included in another strategy.

During the year, issues develop which OIG cannot anticipate during the planning process. These issues usually develop from Secretarial, agency, Congressional or OIG concerns regarding fraud, waste, or abuse of certain USDA programs or operations. In order to respond to these concerns, OIG reserves time for these unanticipated requests. We have allocated 4,220 staff days in FY 1990 for this purpose.

We also set aside time in our plan to monitor the management decisions made for audit findings and recommendations presented in our audit reports. The purpose of this process is to ensure that OIG and the auditee agency agree on the actions needed to correct deficiencies.

The Inspector General Act Amendments of 1988 changed the way we followup on audit reports. OIG no longer is responsible for closure actions. Once we agree with the management decision, our involvement with the audit ends and the final actions are completed by management. Final actions are monitored and tracked by the Office of Finance and Management (OFM). In FY 1990, we plan to conduct an audit of the OFM system for handling final actions.

OIG has responsibility to monitor the work of independent auditors conducting audits of State and local governments according to the Office of Management and Budget Circular A-128. Currently, OIG has assigned cognizance for 25 State agencies and larger local governments. In addition, OIG is the lead cognizant agency for the Statewide Single Audits of Minnesota and Pennsylvania.

OIG is responsible for ensuring that the quality of work performed by other non-Federal auditors submitting reports to USDA under program-specific requirements is adequate. Their work must comply with the standards established by the Comptroller General of the United States. When substandard work is identified within the Department, OIG refers the independent auditor to the State Boards or Licensing Authorities and the American Institute of Certified Public Accountants.

During FY 1990, OIG will, as part of each audit, review and evaluate agencies' compliance with the Department's drug enforcement strategy.

## INVESTIGATIONS

In addition to the statutory authorities granted to the Inspector General, several other Departmental agencies conduct investigations or compliance reviews. The Inspector General has the responsibility to monitor these investigative and compliance programs.

The purpose of OIG oversight reviews is to ensure that the operation of these agencies are consistent with applicable Federal statutes, Departmental regulations, and intraDepartmental jurisdictional agreements. This is accomplished by identifying weaknesses in the agency's compliance, investigations or internal review programs and making recommendations for corrective action, including the recommending of changes to intraDepartmental jurisdictional agreements involving OIG.

In FY 1989, OIG completed oversight reviews of the Agricultural Marketing Service Compliance Staff and the Food Safety and Inspection Service Compliance Branch. During FY 1990, reviews of the compliance programs of several other USDA agencies are planned.

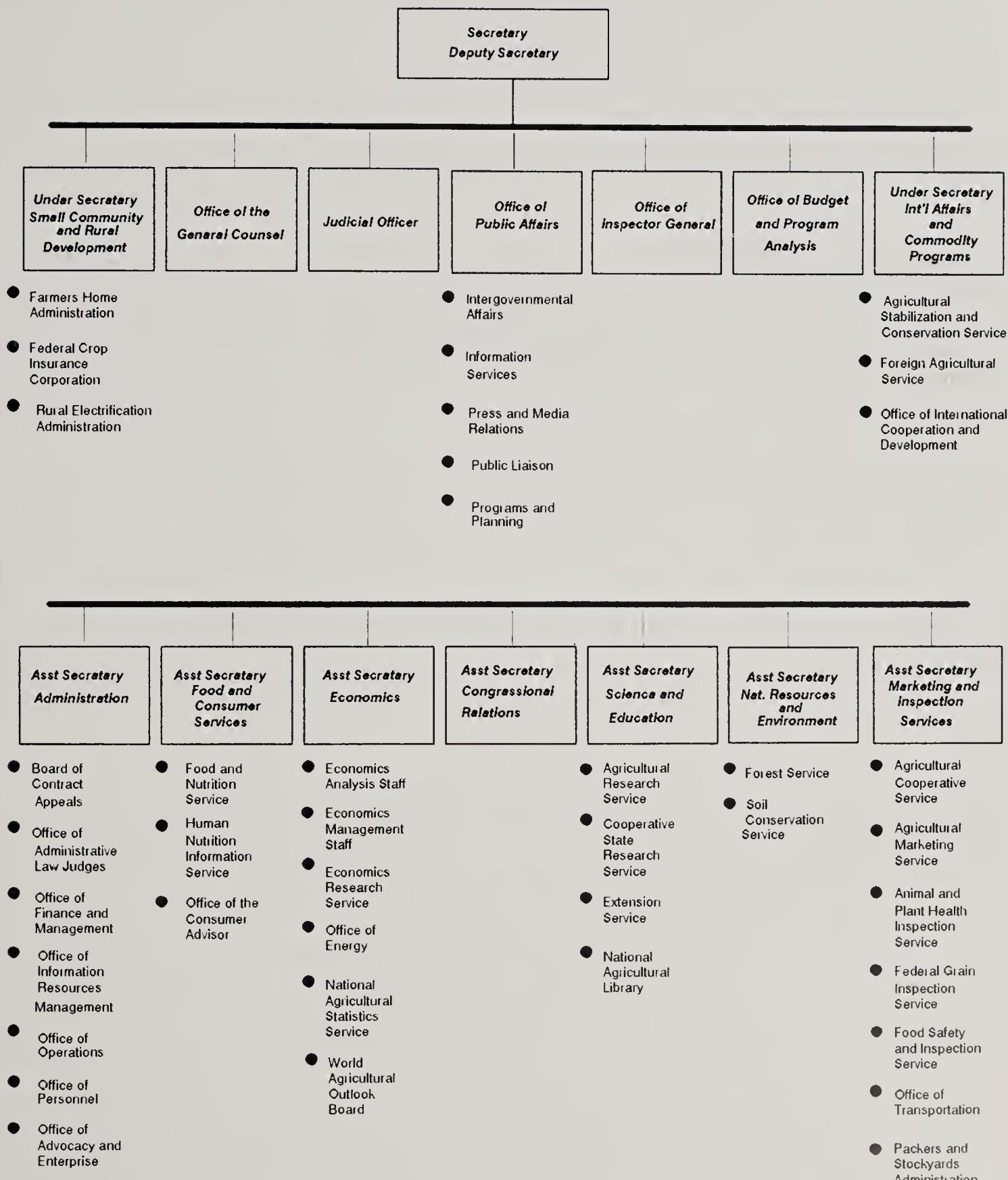


# CHART



# USDA ORGANIZATIONAL CHART

As of 10/89





## **INVESTIGATIONS**



## **INVESTIGATIVE ACCOMPLISHMENTS**

During FY 1989, OIG opened 1,513 investigations and issued 1,398 investigative reports. Our investigations resulted in 713 indictments, 533 convictions, 40 pretrial diversions, 48 suits, and 20 judgments. The period of time to get court action on an indictment varies widely; therefore, the indictments are not necessarily related to the convictions and pretrial diversions.

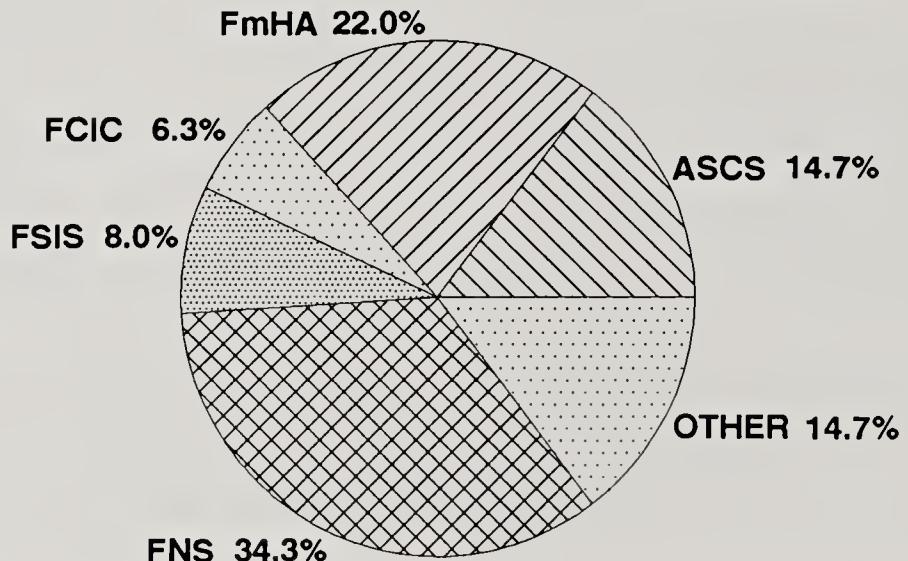
## **INVESTIGATIVE MONETARY RESULTS**

Recoveries and collections (actual) .....	\$20,922,426
Cost Avoidance (payment not made based on investigative reports).....	8,127,868
Fines (actual).....	3,099,537
Administrative Penalties (actual) .....	11,302,004
Restitution (actual).....	<u>10,441,096</u>
Total Investigative Monetary Results.....	\$53,892,931

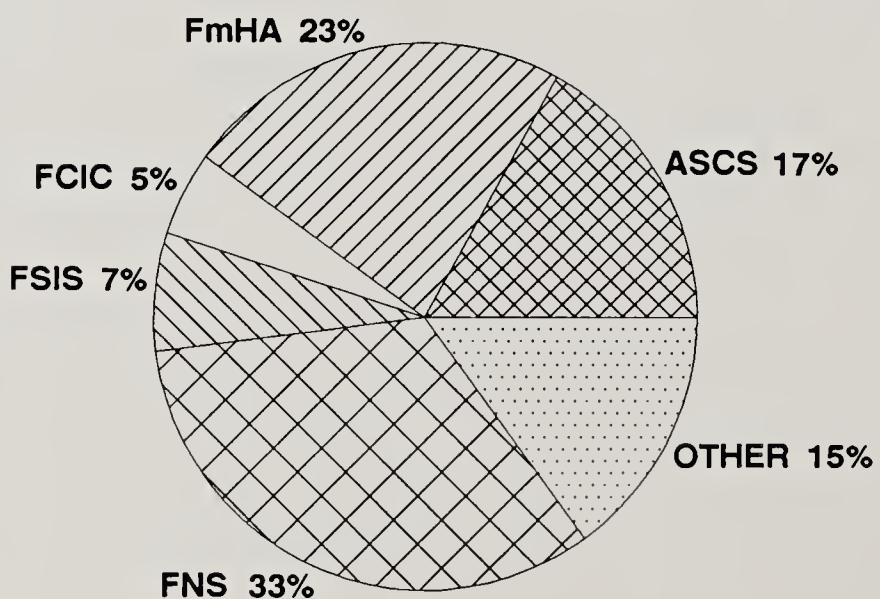
The charts that follow show the percentages of total staff days expended in FY 1989, the percentage of staff days Investigations plans to allocate to each agency during FY 1990 and a chart that details the percentages of investigative time by agency during the past two fiscal years, 1988 and 1989, and the percentages of investigative time planned for FY 1990.

# OIG INVESTIGATIONS

## STAFF DAYS WORKED FISCAL YEAR 1989



## STAFF DAYS PLANNED FISCAL YEAR 1990



**OFFICE OF INVESTIGATIONS AGENCY TOTALS  
PERCENTAGES OF INVESTIGATIVE TIME  
FY 1988, FY 1989 ACTUAL, AND FY 1990 PLANNED**

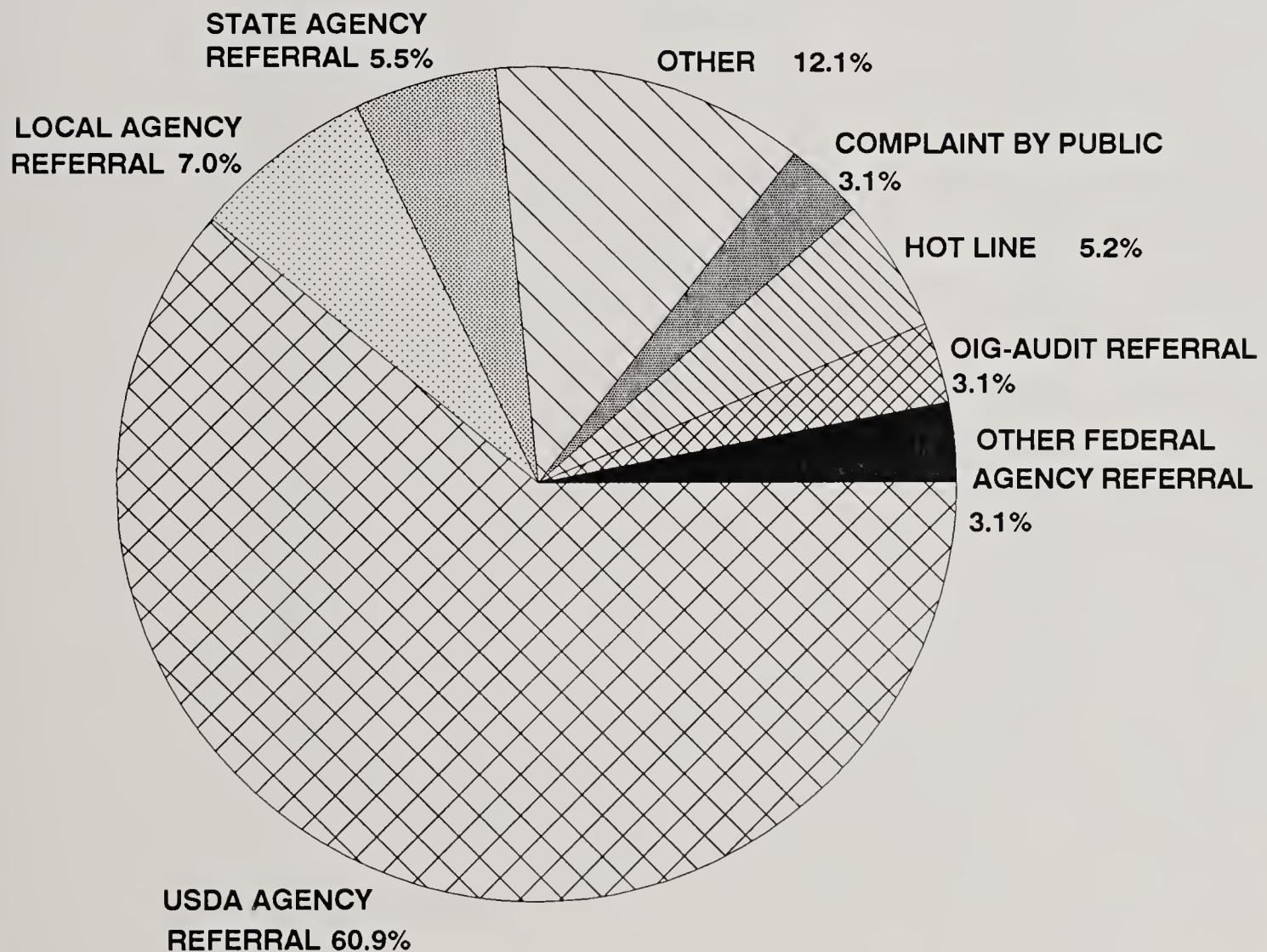
	<b>INVESTIGATIVE TIME</b>		
	<b>FY 1988</b>	<b>FY 1989 (actual)</b>	<b>FY 1990 (planned)</b>
ASCS	15.0%	14.7%	17.0%
FAS	0.5 %	1.9 %	3.0 %
FmHA	21.7 %	22.0 %	23.0 %
REA	2.6 %	2.5 %	1.5 %
FCIC	7.0 %	6.3 %	5.0 %
FNS	34.6 %	34.3 %	33.0 %
FS	2.5 %	1.9 %	1.5 %
FSIS	5.6 %	8.0 %	7.0 %
AMS	3.4 %	2.5 %	2.0 %
FGIS	0.4 %	0.3 %	0.5 %
APHIS	1.9 %	1.7 %	2.0 %
ALL OTHER	4.8 %	3.9 %	4.5 %
<b>TOTAL</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>100.0 %</b>



# OIG INVESTIGATIONS

## CASES OPENED, BY SOURCE

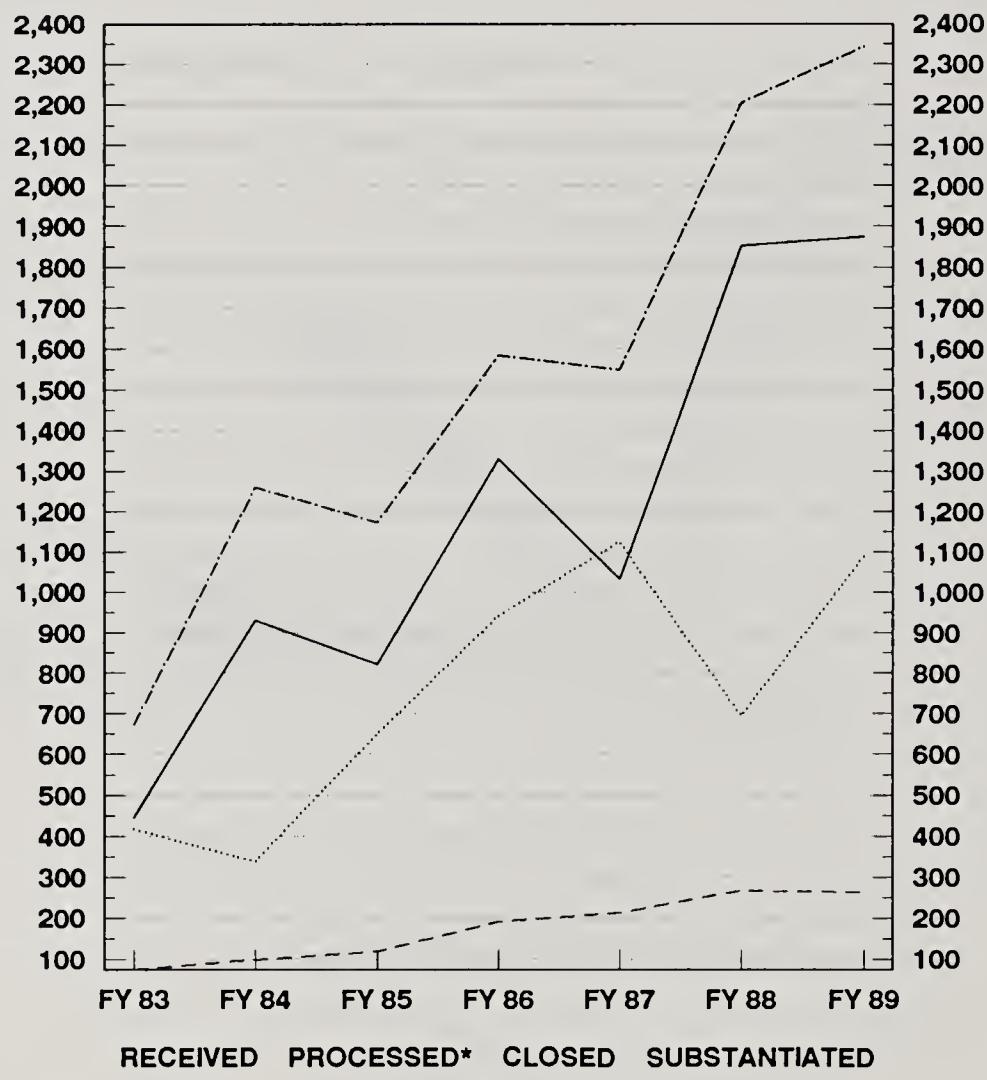
### FISCAL YEAR 1989



# OIG INVESTIGATIONS

## HOTLINE COMPLAINTS

### FISCAL YEARS 1983 THROUGH 1989



\*Those allegations which contain sufficient information to allow inquiry by OIG or the responsible agency.

# HOTLINE COMPLAINTS

## FISCAL YEARS 1983-1989

FISCAL YEAR	RECEIVED	PROCESSED	CLOSED	SUBSTANTIATED
1983	674	446	418	75
1984	1,261	931	338	99
1985	1,174	823	651	120
1986	1,584	1,331	943	193
1987	1,549	1,034	1,125	214
1988	2,206	1,852	695	268
1989	2,344	1,875	1,089	265



## **AUDITS**

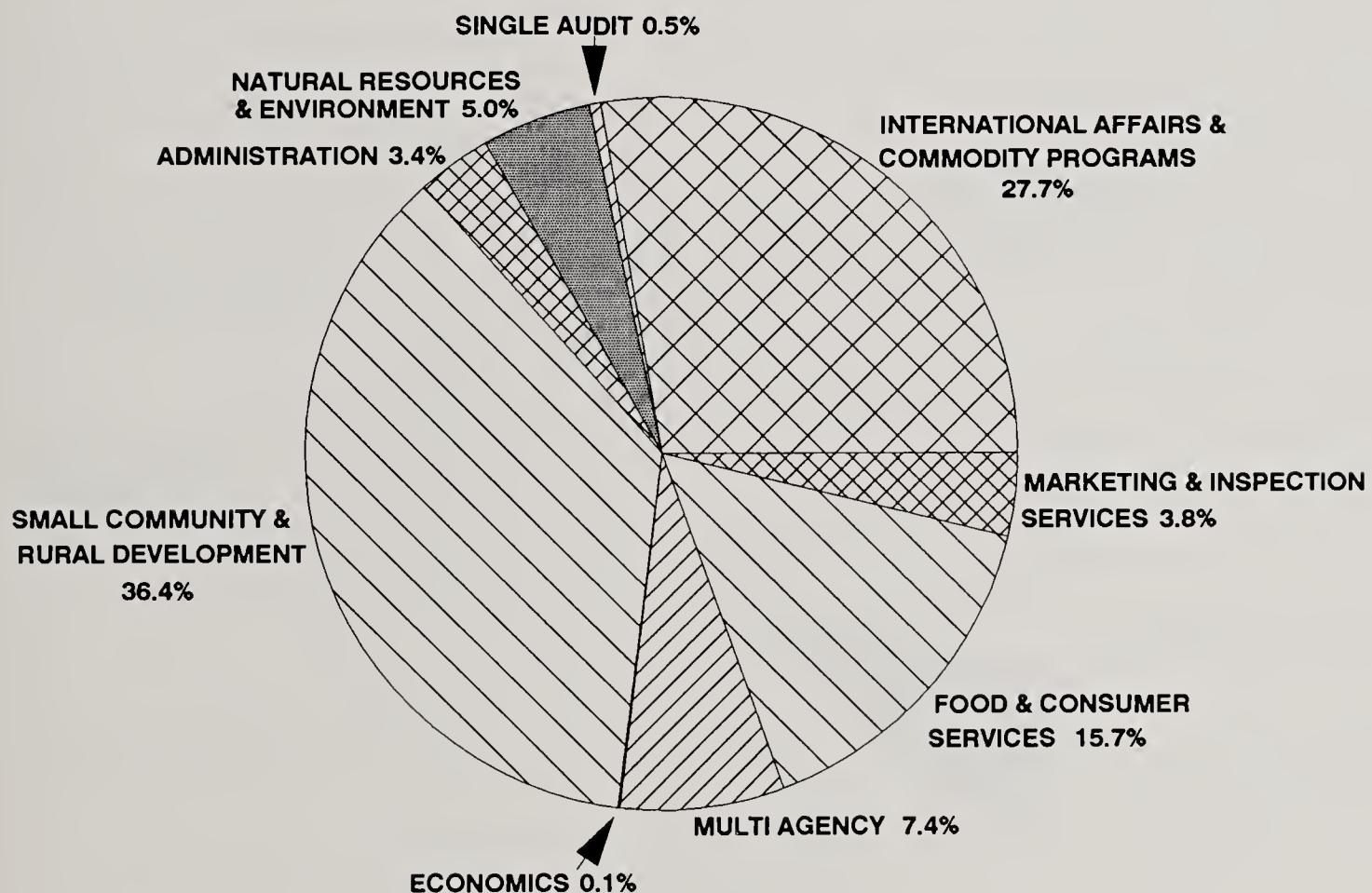


# OIG AUDIT

## STAFF DAYS WORKED

### FISCAL YEAR 1989

(By Under and Assistant Secretaries)

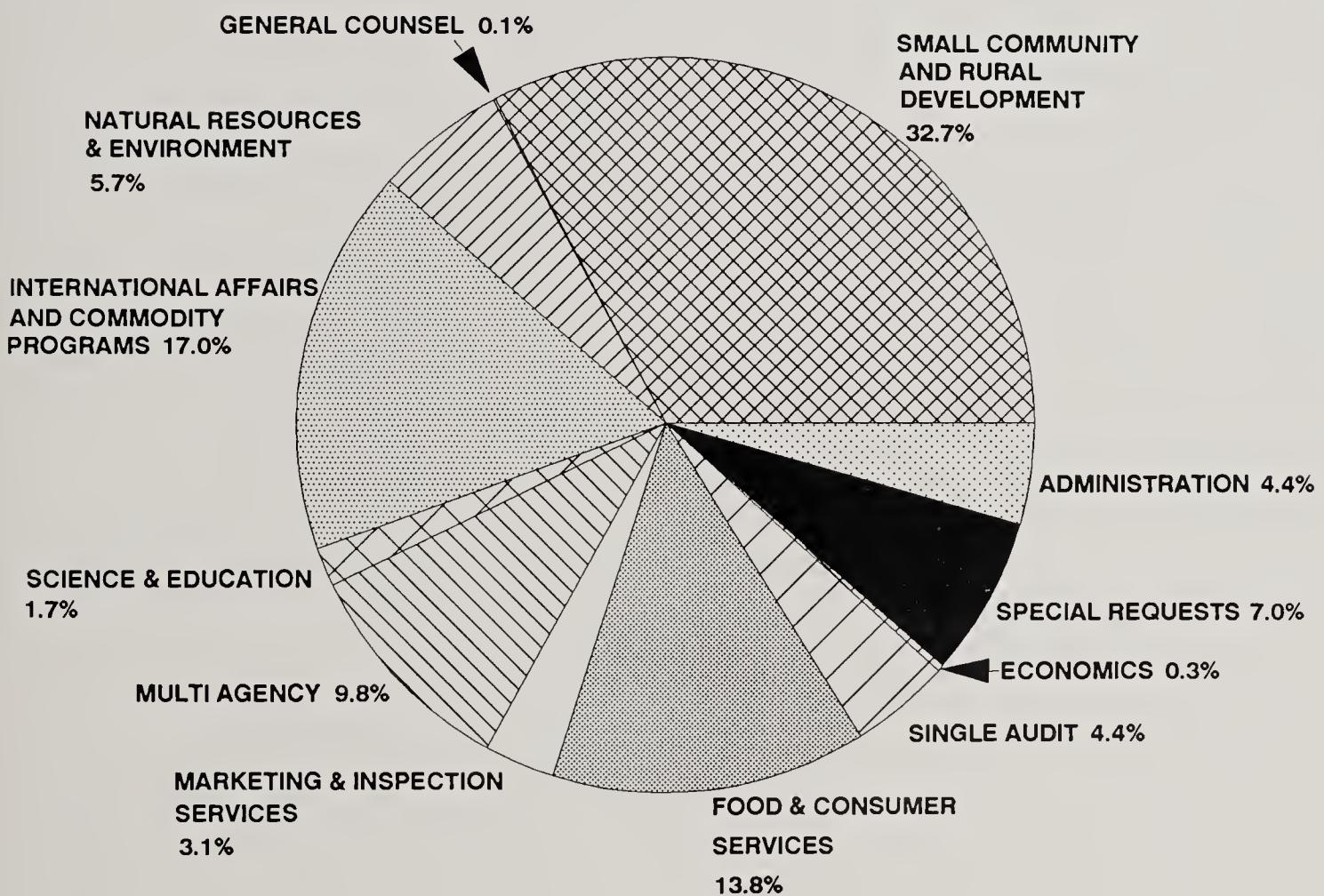




# **FY 1990 ANNUAL PLAN**

## **OIG AUDIT STAFF DAYS**

### **BY UNDER AND ASSISTANT SECRETARIES**





## **MAJOR AUDITS PLANNED FOR FY 1990**



## **MAJOR AUDITS PLANNED FOR FY 1990**

Below are brief descriptions of major audits planned for Fiscal Year 1990. All audits planned for Fiscal Year 1990 are listed in the Appendix.

### **UNDER SECRETARY INTERNATIONAL AFFAIRS AND COMMODITY PROGRAMS**

#### **Agricultural Stabilization and Conservation Service (ASCS)**

**TITLE:** Survey of Warehouse Examination, Licensing, and Contract Division

**OBJECTIVE AND SCOPE:** Determine whether approval and removal standards are adequate for warehouses with Uniform Grain Storage Agreements. Evaluate whether liquidated damages are assessed when warehouse violations occur. Determine if States performing warehouse examinations under State Cooperative Agreements are meeting Commodity Credit Corporation examination requirements and enforcing the provisions of the Agreement.

\*\*\*\*\*

**TITLE:** Controls Over ASCS/CCC Claims and Debt Management Activities

**OBJECTIVE AND SCOPE:** Determine whether internal controls over the new automated claims system are adequate to ensure all claims are properly established and resolved in a timely and efficient manner. Ascertain the effectiveness of internal controls within the Central Debt Management Group which handles CCC claims from State and county offices, including the process and authority for approving settlement of claims by and against ASCS/CCC. Determine if compromised settlements are made in the best interests of CCC.

\*\*\*\*\*

**TITLE:** Conservation Reserve Program Detection of Payment Limitation Abuse

**OBJECTIVE AND SCOPE:** Identify large scale schemes and devices being used by financial institutions and others to evade the Conservation Reserve Program (CRP) payment limitation. The scope will be limited to individuals, entities or financial institutions that received a large number of CRP payments but were not in the land management business prior to the CRP.

\*\*\*\*\*

**TITLE:** Survey of ASCS/FCIC Disaster Program Payment Controls

**OBJECTIVE AND SCOPE:** Determine if ASCS has established effective controls to verify that producers receiving disaster payments comply with requirements to purchase FCIC insurance for the 1989 Crop Year.

\*\*\*\*\*

**TITLE:** Integrity of State and County Office Automation Program Data

**OBJECTIVE AND SCOPE:** Determine whether ASCS County Offices implemented adequate control and security procedures to ensure the integrity of the data that is entered into and maintained on computers.

\*\*\*\*\*

**TITLE:** ASCS Facility Loan Program Repayment Activities

**OBJECTIVE AND SCOPE:** Determine if ASCS county offices are properly and timely establishing claims and/or making required set-offs to program payments received by Farm Storage Facility Loan borrowers with delinquent loan payments. Evaluate State office controls over loan write-offs, bankruptcies, and reamortization of loan periods to ascertain if regulations are being adhered to and CCC's security positions protected.

\*\*\*\*\*

**TITLE:** ASCS Disaster Assistance - 1989 Crops

**OBJECTIVE AND SCOPE:** Ensure that the Disaster Assistance Program for 1989 is effectively designed and improved relative to the 1988 Disaster Program. Audit emphasis will be directed towards crop yield and payment rates used to disburse disaster assistance payments to producers growing nonprogram crops. Some coverage of crop yield and payment data developed by the National Agricultural Statistics Service will also be included in this audit.

\*\*\*\*\*

**TITLE:** ASCS - Federally Licensed Warehouse

**OBJECTIVE AND SCOPE:** (1) Evaluate the policies and procedures developed by ASCS over warehouse licensing and regulations; (2) test for compliance with these controls by reviewing a sample of warehouse examination files; (3) evaluate the adequacy of Warehouse Examination Division and Licensing and Compliance Branch policies and procedures regarding the supervision of warehouse operations; and (4) determine adequacy of cost recoveries.

\*\*\*\*\*

**TITLE:** No Net Cost Tobacco Program

**OBJECTIVE AND SCOPE:** Determine (1) whether recommendations in our prior report have been implemented, (2) whether the No Net Cost Tobacco Program Act is currently being carried out in a manner so as to achieve its objectives, and (3) the effect of legislative changes made since our prior audit.

\*\*\*\*\*

**TITLE:** Conservation Reserve Program Producer and Land Eligibility

**OBJECTIVE AND SCOPE:** Evaluate land and producer eligibility determinations for the ASCS Conservation Reserve Program. A recent audit survey disclosed several instances where land enrolled was not farmed during the base period years and was therefore ineligible. Some farmers have submitted false records to ASCS to show that acreage was planted in prior years. Also, a substantial portion of land enrolled has been determined eligible based on suspect third-party certifications of prior year planting.

\*\*\*\*\*

**TITLE:** Establishment of Flue-cured and Burley Tobacco Quotas

**OBJECTIVE AND SCOPE:** Determine if domestic flue-cured and burley tobacco quotas for the 1989 and 1990 Fiscal Years are correctly established in accordance with applicable laws and regulations.

\*\*\*\*\*

**TITLE:** ASCS Action on Payment Limitation for 1989

**OBJECTIVE AND SCOPE:** Determine if State and county office controls are operating as prescribed to prevent a "person" from obtaining excessive program benefits. States and counties with high deficiency and diversion payments will be selected for audit.

\*\*\*\*\*

### **Foreign Agricultural Service (FAS)**

**TITLE:** Follow-up Audit of Targeted Export Assistance Program

**OBJECTIVE AND SCOPE:** Our objective is to follow-up on the prior audit and determine the effectiveness of the corrective actions taken. Also since GAO is doing a followup audit of this subject, we will initially contact GAO and place our emphasis on those areas not covered by their review.

\*\*\*\*\*

**TITLE:** Audit of General Sales Manager 102/103 Programs

**OBJECTIVE AND SCOPE:** Determine if the program is operating within the intent of the law. This includes commodity types, country approvals, use of suspension and debarment, establishment of procedure, and FAS compliance reviews.

\*\*\*\*\*

**TITLE:** Usage of Section 32 Import Duty Funds

**OBJECTIVE AND SCOPE:** Determine if 30 percent of the Funds are being used, as required by the American Agricultural Act, to support the processing of perishables and to help with exports.

\*\*\*\*\*

**TITLE:** FAS Export Sales Reporting Requirements

**OBJECTIVE AND SCOPE:** Determine if all exports of agricultural commodities over the established value are being reported to FAS by exporters as required. Evaluate controls established by FAS to assure such reportings are being made.

\*\*\*\*\*

**TITLE:** Evaluation of FAS's Foreign Risk Analysis

**OBJECTIVE AND SCOPE:** Evaluate the reasonableness of risk analysis performed by the FAS's Trade and Economic Information Division and use made of these analyses by other FAS officials in program management.

\*\*\*\*\*

**UNDER SECRETARY**  
**SMALL COMMUNITY AND RURAL DEVELOPMENT**

**Federal Crop Insurance Corporation (FCIC)**

**TITLE:** FCIC Reinsurance Program Agreements and Provisions

**OBJECTIVE AND SCOPE:** Determine if FCIC has implemented an effective reinsurance agreement that contains controls and cost containment. Test whether companies participating in the program are financially sound and able to meet program obligations.

\*\*\*\*\*

**TITLE:** Implementation of the Crop Insurance Commission Report Recommendations

**OBJECTIVE AND SCOPE:** Determine if the recommendations made in the reports issued by the Commission for the Improvement of the Federal Crop Insurance Program were effectively implemented by the FCIC.

\*\*\*\*\*

**TITLE:** FCIC Cash Management Practices with Reinsured Companies

**OBJECTIVE AND SCOPE:** Determine if adequate controls have been established over the flow of funds between FCIC and reinsured companies and if reinsured companies are properly accounting for and reporting on program funds.

\*\*\*\*\*

**TITLE:** FCIC Office of Compliance Operations

**OBJECTIVE AND SCOPE:** Evaluate whether the FCIC Office of Compliance reviews are adequate and effective as an internal control to prevent or detect abuses to the insurance program and whether their efforts can be measured as to their impact on the overall state of adjustment process. Work would be in Washington, D.C., branch offices in Alexandria, Kansas City, Dallas, and Sacramento, and various loss adjustment sites throughout the United States.

\*\*\*\*\*

**TITLE:** Survey of Claims on Newly Insured Crops

**OBJECTIVE AND SCOPE:** Identify newly insured crops in the Western Region which are highly vulnerable to error or abuse. Recently insured crops include macadamia nuts, pears, onions, figs, bing cherries, and cranberries.

\*\*\*\*\*

TITLE: Field Underwriting Office Operations

OBJECTIVE AND SCOPE: Evaluate the operations of the field underwriting offices and their effectiveness in carrying out FCIC's mission.

\*\*\*\*\*

**Farmers Home Administration (FmHA)**

TITLE: FmHA Financial Statements Fiscal Year 1990

OBJECTIVE AND SCOPE: Perform reviews to place GAO/OIG in the position to express an opinion on the fairness of the presentation of FmHA's Fiscal Year 1989 and Fiscal Year 1990 financial statements. The reviews will include fieldwork performed in selected States, as well as analyses of FmHA's financial systems to confirm the accuracy of FmHA's financial statements. The review will also include the development of an audit approach to perform financial statement audits on a Departmentwide basis. GAO has requested Departmentwide financial statement audits beginning in Fiscal Year 1994.

\*\*\*\*\*

TITLE: Internal Control Over Loan Portfolio Balancing

OBJECTIVE AND SCOPE: Determine the adequacy of controls over FmHA account balancing. The audit will include reviews of the balancing routine involving file input to file output, register and journal totals to file balances, and general ledger totals to file balances. In addition, adjustment transactions will also be analyzed.

\*\*\*\*\*

TITLE: FmHA Microcomputer Communications Controls and Security Over Transaction Processing

OBJECTIVE AND SCOPE: Determine if (1) security controls are properly established for communications, (2) microcomputer operating system and access controls are adequate to prevent unauthorized access, and (3) backup and recovery controls have been established for data stored on the microcomputer. Internal control procedures will be reviewed and data integrity and security will be evaluated.

\*\*\*\*\*

**TITLE:** FmHA's Management of the Rural Rental Housing and Rural Housing Programs

**OBJECTIVE AND SCOPE:** Determine if FmHA has sufficient controls to ensure the integrity over the funding of Rural Rental Housing projects, the payment of rental assistance, and the sale of Rural Housing inventory property.

\*\*\*\*\*

**TITLE:** FmHA Administrative Appeals

**OBJECTIVE AND SCOPE:** Determine if section 608 of the Agricultural Credit Act of 1987 provisions relating to appeals have been implemented in accordance with the law and operating instructions. Fifty-seven hearing officers were hired to work under supervision of the area offices. Additional hearing officers are being hired to handle the increased appeal activity.

\*\*\*\*\*

**TITLE:** Evaluation of FmHA Internal Review Processes

**OBJECTIVE AND SCOPE:** Determine the effectiveness of FmHA's field office review process. This audit will encompass an evaluation of Coordinated Assessment Reviews, State Evaluation Reviews, and Program Review Assistance Reviews.

\*\*\*\*\*

**TITLE:** Drought and Disaster Business and Industry Guaranteed Loan Program

**OBJECTIVE AND SCOPE:** Determine if internal administrative controls were sufficient to ensure that drought and disaster loans were made only to eligible businesses in correct amounts; were processed in accordance with applicable FmHA instructions; and were based upon realistic operating budgets that reflected feasible business operations and sound loans.

\*\*\*\*\*

**TITLE:** Implementation of Primary Loan Service Programs

**OBJECTIVE AND SCOPE:** Evaluate implementation of the primary loan service programs for delinquent borrowers under the debt restructuring provisions of the Agricultural Act of 1987. We will select our audit sample from borrowers who have accepted offers for debt write-down or net recovery buyout from the first mailing. Our review will be nationwide in scope.

\*\*\*\*\*

**TITLE: Debt Restructuring Provisions**

**OBJECTIVE AND SCOPE:** Monitor the various aspects of FmHA's implementation of the Agricultural Credit Act of 1987 and conduct additional phases of the Debt Restructuring audit as needed. Work will be nationwide in scope and will cover such areas as preservation loan servicing, borrowers who did not respond to FmHA notices, second mailing of notices, and loan liquidations.

\*\*\*\*\*

**TITLE: Rural Rental Housing Construction Activities**

**OBJECTIVE AND SCOPE:** Identify and evaluate FmHA's controls over Rural Rental Housing (RRH) borrowers' use of loan funds during the construction and rent-up phase of RRH operations to ensure loan funds are used for only authorized purposes and the borrowers otherwise comply with applicable regulations and loan covenants. The survey will be conducted at the National office, and at selected State and district offices.

\*\*\*\*\*

**TITLE: Rural Rental Housing Operations**

**OBJECTIVE AND SCOPE:** Review and evaluate FmHA's controls over the RRH program to ensure borrowers comply with regulations and loan agreement provisions applicable to RRH project operations. Determine if borrowers are complying with FmHA regulations and the terms of their loan agreements, including (1) RRH reserve and security accounts, (2) financial reporting, (3) return on investments, (4) management fees, and (5) maintenance procedures.

\*\*\*\*\*

**Rural Electrification Administration (REA)**

**TITLE: Audit and Data Base Analyses of REA's Loan Accounting Systems**

**OBJECTIVE AND SCOPE:** Review various automated loan portfolios of the REA and identify potential audit areas. Identify the actual dollar values of the portfolios, and review the internal controls in place. Analyze the collections process, and the general cash and debt management activities of the REA. Determine if the REA has adequate general controls over the handling of cash and debts.

\*\*\*\*\*

**TITLE:** REA Grants and Zero Interest Loans

**OBJECTIVE AND SCOPE:** Evaluate the propriety of REA's process for allocating funds and approving applications for zero interest loans and grants. Determine the adequacy of REA's internal controls to ensure that the funds are used for only authorized purposes and do not benefit the borrower's operations.

\*\*\*\*\*

**TITLE:** Use of Work-out Team to Service Financially Distressed REA Borrowers

**OBJECTIVE AND SCOPE:** Evaluate REA's use of a workout team to service financially distressed borrowers. Determine if the work plans developed by the workout team are in the best interests of the Government.

\*\*\*\*\*

**TITLE:** Non-Act Capacity/Energy Sales

**OBJECTIVE AND SCOPE:** Determine if Generation and Transmission loans provided for capacity sales when loan forecasts indicated deficit power generation capacity; evaluate Generation and Transmission loan load forecasts to determine if non-Act consumers were included; and evaluate the adequacy of REA's regulations, policies, and procedures for capacity and energy sales and loan forecasts. Survey scope will include new construction loans closed between January 1, 1981 and December 31, 1988, and high percentages of excess capacity sales to other utility companies.

\*\*\*\*\*

**TITLE:** Rural Telephone Program Non-Act Activities of Telephone Loan Borrowers

**OBJECTIVE AND SCOPE:** Identify material weaknesses in controls over Rural Telephone Program loan operations. Determine for a random sample of telephone borrowers if loans were properly approved, advances to borrowers were justified, and loan funds were used only for authorized purposes. Evaluate borrowers' financial strengths and rural area characteristics in relation to needs and the objectives of the Rural Telephone Program. Statistically estimate nationwide the total number of borrowers and dollar impact of management deficiencies and loans of questionable need and use.

\*\*\*\*\*

**TITLE:** REA Financial Strength Criteria

**OBJECTIVE AND SCOPE:** Determine administrative avenues that are available to REA to implement financial strength criteria wherein loan applicants who have sufficient internal resources will be denied REA funding.

\*\*\*\*\*

**ASSISTANT SECRETARY**  
**ADMINISTRATION**

**Office of Finance and Management (OFM)**

**TITLE:** Internal Control System Evaluation

**OBJECTIVE AND SCOPE:** Perform review to place OIG in the position to express an opinion on the effectiveness of the system of internal control over administrative systems at the National Finance Center. The review will include systems identified to meet the needs of audits performed by contracted Certified Public Accountant firms.

\*\*\*\*\*

**TITLE:** Assessment of the Administrative Payment Systems

**OBJECTIVE AND SCOPE:** Determine whether system controls are in place to prevent and detect the misuse of the Administrative Payment Systems. Determine the accuracy of the National Finance Center's review process as well as the information provided by the Inquiry Staff. Determine compliance with the Prompt Payment Act and Cash Management Practices and Principles. Analyze and monitor the transition to "ORACLE" within the system to ensure that proper safeguards are in place to protect the integrity of the overall operating system.

\*\*\*\*\*

**TITLE:** Departmentwide Financial Information System

**OBJECTIVE AND SCOPE:** The Department plans to issue consolidated financial reports for Fiscal Year 1988 by integrating data from all the Department's accounting systems, ASCS, FAS, FCIC, FmHA, FNS, and REA. Our objective in the audit is to ensure that system controls and audit trails are sufficient enough to ensure that data reported to Treasury is correct.

\*\*\*\*\*

**TITLE:** Implementation of New Regulations on Management Decision and Final Action

**OBJECTIVE AND SCOPE:** Under the Inspector General Act Amendments of 1988, the Department is charged with the responsibility to track audit recommendations to their final action and to report to Congress on the final actions taken and those outstanding. Objectives would be to determine if (1) procedures have been established and published; (2) a system is in place to track and followup on audit recommendations; and (3) the data reported is reliable and reasonable.

\*\*\*\*\*

**TITLE:** Federal Managers' Financial Integrity Act

**OBJECTIVE AND SCOPE:** Measure USDA compliance with the Federal Managers' Financial Integrity Act requirements.

\*\*\*\*\*

**Office of Information Resources Management**

**TITLE:** USDA's Control of Computer Viruses

**OBJECTIVE AND SCOPE:** Determine if USDA has established proper controls for the prevention and detection of computer viruses. Evaluate the action USDA will take when under a virus attack.

\*\*\*\*\*

**TITLE:** Security and Control of the Combined Systems at the National Computer Center, Kansas City, Missouri

**OBJECTIVE AND SCOPE:** The scope of this audit will be the production system image after the transfer of all former Washington Computer Center users and applications. The objectives will be to determine if (1) data and programs for the transferred agencies are properly protected through access rules, (2) the new Multiple Virtual Storage/Extended Systems Architecture operating system has adequate controls, (3) security interfaces have been established for all subsystems, (4) sensitive utilities and programs are adequately restricted, and (5) controls are effective during security software recovery.

\*\*\*\*\*

**Office of Operations**

**TITLE:** A-76 Review of USDA Motor Vehicle Study

**OBJECTIVE AND SCOPE:** Determine if the USDA cost bid for the maintenance of USDA's fleet of vehicles at 8,000 USDA locations is valid and includes all appropriate cost factors.

\*\*\*\*\*

**ASSISTANT SECRETARY**  
**FOOD AND CONSUMER SERVICES**

**Food and Nutrition Service (FNS)**

**TITLE:** State Agency Distribution of Food Coupons to Food Stamp Program Recipients

**OBJECTIVE AND SCOPE:** Evaluate State agency internal controls over and compliance with laws and regulations regarding the distribution of food stamps to recipients through contracted agents. Test the distribution systems as necessary to identify any indications of fraud.

\*\*\*\*\*

**TITLE:** Quality of Certified Public Accountant Audits of the Food Distribution/National Commodity Processing Program

**OBJECTIVE AND SCOPE:** Determine if there are any potential deficiencies with the quality of CPA audits of multi-State processors. Evaluate controls over FNS tracking and followup on deficiencies identified in the CPA reports.

\*\*\*\*\*

**TITLE:** Food Stamp Program Management of Retailer Tracking System

**OBJECTIVE AND SCOPE:** Determine whether in-depth audit work is needed based on an evaluation of the retailer tracking system. Evaluate whether FNS is effectively monitoring retailers and to evaluate internal controls and ensure that the retailers do exist.

\*\*\*\*\*

**TITLE:** Followup Security Over Non-Federal ADP Systems

**OBJECTIVE AND SCOPE:** Evaluate FNS implementation of new regulations which set forth minimum security requirements for non-Federal ADP systems. Determine how States intend to implement the new requirements. Determine what actions the Office of Information and Resource Management plans to take to implement similar requirements Departmentwide.

\*\*\*\*\*

**TITLE:** Followup on New National School Lunch/Breakfast Programs Regulations

**OBJECTIVE AND SCOPE:** Assess the School Lunch and School Breakfast Programs to determine the extent to which school food authorities and State agencies are complying with the new accountability requirements which are effective for School Year 1989-90.

\*\*\*\*\*

**TITLE:** Food Stamp Program Employment and Training Program

**OBJECTIVE AND SCOPE:** Determine if (1) the program is being adequately monitored and administered by FNS Headquarters, Regional Offices, and State agencies, (2) State agencies have realistic program objectives that are being met, (3) State agencies are properly accounting for Grant Matching, and Employment and Training registrant reimbursement, (4) State agencies have an adequate tracking and reporting system, and (5) State agencies are disqualifying recipients from the Food Stamp Program because of non-compliance.

\*\*\*\*\*

**TITLE:** Survey of Program Effectiveness and Use of Pilot Projects

**OBJECTIVE AND SCOPE:** Assess the purpose and effectiveness of FNS' various demonstration projects for the Food Stamp Program (Electronic Benefit Transfer Projects and other alternate issuance projects). FNS had \$1.8 million in Fiscal Year 1989 for Electronic Benefit Transfer type demonstration projects and received proposals from seven States to implement projects.

\*\*\*\*\*

**TITLE:** Supplemental Food Program for Women, Infants, and Children Administrative Costs

**OBJECTIVE AND SCOPE:** Evaluate FNS and State agency internal controls over administrative costs and determine the propriety of State agency claims for the Supplemental Food Program for Women, Infants, and Children (WIC). Based on FNS requests, review nonrebate incentives in lieu of rebates for two States (Illinois and South Carolina).

\*\*\*\*\*

**TITLE:** WIC Rebates

**OBJECTIVE AND SCOPE:** Survey the WIC rebate program to identify areas subject to waste, fraud, and abuse, and to determine the need for an in-depth audit.

\*\*\*\*\*

**TITLE:** FNS Food Stamp Program Computer Matching

**OBJECTIVE AND SCOPE:** Determine the extent of unreported income of Federal employees participating in the Food Stamp Program and the extent of duplicate participation by individual Food Stamp Program recipients.

\*\*\*\*\*

**TITLE:** Implementation of Income and Eligibility Verification System (IEVS)

**OBJECTIVE AND SCOPE:** The IEVS expands the wage match process and provides State agencies with additional sources of useful information in verifying applicant and recipient reported circumstances. The audit objective is to review the implementation of IEVS at the FNS and selected State agencies.

\*\*\*\*\*

**ASSISTANT SECRETARY**  
**SCIENCE AND EDUCATION**

**Agricultural Research Service**

**TITLE:** Program Integrity of Agricultural Research and Technology Transfer Funding Decisions

**OBJECTIVE AND SCOPE:** Identify the organization and processes that support implementation of the National Agricultural Research, Extension, and Teaching Policy Act, as amended. Examine methods and procedures used to justify needs, assign priorities, and assess performance of efforts to deliver current and appropriate technology to the farming community. Determine program compliance to statutory requirements for coordination, participation, content, and continuity.

\*\*\*\*\*

**Extension Service**

**TITLE:** Use of Cooperative Agreements in USDA Extension Services

**OBJECTIVE AND SCOPE:** Determine the appropriateness of Extension Services to provide services to other agencies in USDA and other Federal Departments through Cooperative Agreements with State extension services. Review all interagency agreements in ES to detect those which are supported by Cooperative Agreements; evaluate the purpose as they relate to the mission of ES; and determine if ES is assisting other agencies and Federal Departments in circumventing personnel ceilings or procurement regulations.

\*\*\*\*\*

**TITLE:** Extension Facilities Program

**OBJECTIVE AND SCOPE:** Determine whether (1) the extension facilities program benefited Land Grant Institutions' extension capabilities, (2) Land Grant Institutions and Extension Service followed proper procedures in the submissions and approval of grant proposals, and (3) funds have been accounted for and properly obligated or expended. The survey will focus on grant activity, beginning with Fiscal Year 1988, to date, to prevent misapplication of Extension Service funds over the 5-year funding period.

\*\*\*\*\*

## Cooperative State Research Service

TITLE: CSRS Management of Research at Land Grant Institutions

OBJECTIVE AND SCOPE: Survey the actions CSRS has taken to develop and assist research at Land Grant Institutions. Evaluate the policies, procedures, regulations, and other guidance used by CSRS to direct and control this research toward the achievement of statutory purposes and programmed objectives. Identify problems and vulnerabilities for future year audits.

\*\*\*\*\*

**ASSISTANT SECRETARY**  
**NATURAL RESOURCES AND ENVIRONMENT**

**Forest Service (FS)**

**TITLE:** Analysis of the Forest Service Brush Disposal Fund Balances and Expenditures

**OBJECTIVE AND SCOPE:** Authorizing legislation allows collections from Timber Sale receipts for the disposal of brush and other debris resulting from timber sales. The legislation requires that collections in excess need to be transferred to the Treasury. Audit survey objectives would be to (1) determine whether the Forest Service is properly identifying excess brush disposal fund and transferring such excesses to the Treasury, and (2) whether there is duplication between the use of brush disposal and Knutson-Vandenberg monies.

\*\*\*\*\*

**TITLE:** Forest Service Lockbox System for Cash Receipts

**OBJECTIVE AND SCOPE:** Identify controls over payments made through the "Lockbox" system and evaluate the adequacy of these controls. Determine how the Forest Service or the designated bank ensures that payments are posted to the proper accounts and whether potential for diversion of funds exists. Ensure that the system is meeting its intended purpose and complies with applicable laws and regulations.

\*\*\*\*\*

**TITLE:** Timber Theft Followup

**OBJECTIVE AND SCOPE:** To determine the timeliness and adequacy of Forest Service's implementation of timber theft plans developed by the agency's Region 6 to minimize high vulnerability.

\*\*\*\*\*

**TITLE:** Audit of a Large Forest Service Timber Sale Contract

**OBJECTIVE AND SCOPE:** Perform an audit of a single, large Timber Sale contract in the Pacific Northwest Region (Region 6).

\*\*\*\*\*

**Soil Conservation Service (SCS)**

**TITLE:** Compliance with Sodbuster Provisions

**OBJECTIVE AND SCOPE:** Determine the effectiveness of Soil Conservation Service procedures for identifying noncompliance with Sodbuster provisions which require that highly erodible, recently uncropped land not be farmed in order to qualify for participation in USDA programs.

\*\*\*\*\*

**ASSISTANT SECRETARY**  
**MARKETING AND INSPECTION SERVICES**

**Agricultural Marketing Service (AMS)**

**TITLE:** Survey of AMS Compliance, Inspection, and Dairy Grading Activities

**OBJECTIVE AND SCOPE:** Perform limited testing of the certification and grading of dairy commodities to ensure that the graded products conform to AMS standards. Determine whether lack of controls identified impact the quality and quantity of certified and graded agricultural commodities.

\*\*\*\*\*

**TITLE:** AMS Inspection and Grading Activities - Fruits and Vegetables

**OBJECTIVE AND SCOPE:** Determine whether AMS has established effective controls over certification and grading services for fruits and vegetables to assure the quality and quantity of agricultural commodities.

\*\*\*\*\*

**TITLE:** Pesticide Tolerance Levels for Tobacco

**OBJECTIVE AND SCOPE:** Determine whether AMS and ASCS have established residue tolerance levels for imported and domestic tobacco in accordance with recent amendments to the Federal Fungicide and Rodenticide Act and in accordance with our prior audit released November 1987.

\*\*\*\*\*

**Animal and Plant Health Inspection Service (APHIS)**

**TITLE:** Federal Assistance for Brucellosis Eradication

**OBJECTIVE AND SCOPE:** To perform a survey of the APHIS Brucellosis Eradication Program.

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## **Food Safety and Inspection Service (FSIS)**

**TITLE:** Accreditation of Commercial Laboratories

**OBJECTIVE AND SCOPE:** Assess compliance with meat and poultry regulations in ensuring that requirements are met for obtaining and monitoring accreditation; whether check samples are analyzed timely and consistently; and whether appropriate actions are taken when samples are not in compliance.

\*\*\*\*\*

**TITLE:** Labeling Policies and Approvals

**OBJECTIVE AND SCOPE:** Assess compliance with Federal Meat Inspection Act and Poultry Products Inspection Act to ensure that products are properly labeled through consistent application of policies, approvals and adequate verification of claims.

\*\*\*\*\*

**TITLE:** FSIS Import Offices

**OBJECTIVE AND SCOPE:** Evaluate the effectiveness of FSIS Import Offices for inspecting meat and poultry products imported into the United States.

\*\*\*\*\*

**TITLE:** Streamlined Inspection System for Beef

**OBJECTIVE AND SCOPE:** Evaluate the effectiveness of new slaughter inspection techniques for cattle. The system is currently in a pilot test. We will review the National Office and selected plants.

\*\*\*\*\*

**TITLE:** Meat and Poultry Inspection Operations Survey of Procedures for State Inspection Programs

**OBJECTIVE AND SCOPE:** Survey the new FSIS procedures established for State Inspection Programs to ensure that the State-run programs meet Federal requirements and are monitored properly by FSIS.

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## **AUDITS WHICH INVOLVE MULTIPLE AGENCIES**

**TITLE:** Compliance of USDA Corporations With Federal Regulations

**OBJECTIVE AND SCOPE:** Identify what Federal regulations are not complied with by USDA's corporations and determine the impact of the non-adherence with regulations. We will include CCC and FCIC in our review.

\*\*\*\*\*

**TITLE:** Monitoring the 1990 Farm Bill

**OBJECTIVE AND SCOPE:** Monitor implementation of the major provisions of the 1990 Farm Bill to ensure that OIG concerns about program administration are considered and that adequate controls are developed. We will also consider the Bill's impact on the budget and USDA programs.

\*\*\*\*\*

**TITLE:** Implementation of Program to Enhance Water Quality

**OBJECTIVE AND SCOPE:** Monitor implementation of the water quality responsibilities of the Soil Conservation Service and other USDA agencies (if proposal is passed) to ensure agency consideration of strengths and short comings of other attempts to enhance water quality (Rural Clean Water, Agricultural Conservation Program, Watersheds, etc.). Determine if USDA efforts duplicate State programs.

\*\*\*\*\*

**TITLE:** Oversight of Non-Federal Auditors

**OBJECTIVE AND SCOPE:** Determine if the quality of audits performed by CPAs of FmHA and REA financial assistance has improved based on revised auditing standards and additional controls implemented by program agencies. Fulfill OIG's responsibilities of ensuring the quality of audit work performed by CPAs.

\*\*\*\*\*

**TITLE:** Reconciliation of Receivables Arising from Foreign Debts

**OBJECTIVE AND SCOPE:** Evaluate accounting controls over CCC receivables from claims as a result of defaults on guaranteed CCC loans (General Sales Manager 102/103 Program) and payments due on Public Law 480 loans and other direct loans. Reconcile and verify payments made by foreign countries to CCC accounting records. Evaluate and verify local currency use process and payment rates.

\*\*\*\*\*

**TITLE:** Title 31 Review of Contracted Advisory and Assistance Services

**OBJECTIVE AND SCOPE:** Determine whether USDA agencies are in compliance with Title 31 U.S.C. which require an evaluation of progress in establishing management controls over contracts for consulting services.

\*\*\*\*\*

**TITLE:** Debt Management and Collection Initiatives

**OBJECTIVE AND SCOPE:** Evaluate the Department's compliance with debt management and collection initiatives mandated by the Treasury financial manual, OMB Circular A-129, and the Debt Collection Act of 1982. Assess agency implementation of debt management and collection initiatives, and the accuracy of financial reports to oversight agencies. Identify barriers to implementation of debt management initiatives.

\*\*\*\*\*

**TITLE:** FSIS - APHIS Swine and Cattle Identification Program

**OBJECTIVE AND SCOPE:** Determine the adequacy of the program that requires the identification of all swine in interstate commerce and whether the program can be applied to cattle. The proposed program will establish a nationwide identification and traceback system to trace the source of diseased animals or those with drug or chemical residues.

\*\*\*\*\*

**TITLE:** Departmental Environmental Protection Activities

**OBJECTIVE AND SCOPE:** Determine what measures the Department is taking to clean up the hazardous waste sites under its jurisdiction. Determine the propriety of resources expended.

\*\*\*\*\*

## **APPENDIX**



## GUIDE TO ACRONYMS

ADP	Automated Data Processing
AICPA	American Institute of Certified Public Accountants
AMS	Agricultural Marketing Service
APHIS	Animal and Plant Health Inspection Service
ASCS	Agricultural Stabilization and Conservation Service
B&I	Business and Industry
CCC	Commodity Credit Corporation
CNP	Child Nutrition Program
CPA	Certified Public Accountant
CRP	Conservation Reserve Program
CSRS	Cooperative State Research Service
DFIS	Departmentwide Financial Information System
DOJ	Department of Justice
ES	Extension Service
FAS	Foreign Agricultural Service
FCIC	Federal Crop Insurance Corporation
FGIS	Federal Grain Inspection Service
FmHA	Farmers Home Administration
FNS	Food and Nutrition Service
FMFIA	Federal Managers' Financial Integrity Act
FS	Forest Service
FSIS	Food Safety Inspection Service
FSP	Food Stamp Program
FY	Fiscal Year
GAO	General Accounting Office
IEVS	Income and Eligibility Verification System
IRM	Information Resources Management
NCC	National Computer Center
NFC	National Finance Center
NNC	Non-Profit National Cooperatives
OBRA	Omnibus Budget Reconciliation Act of 1986
OIG	Office of Inspector General
OFM	Office of Finance and Management
OMB	Office of Management and Budget
REA	Rural Electrification Administration
RRH	Rural Rental Housing
RTP	Rural Telephone Program
SCOAP	State and County Office Automation Project
USDA	United States Department of Agriculture
WIC	Supplemental Food Program for Women, Infants, and Children



UNITED STATES DEPARTMENT OF AGRICULTURE  
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AGENCY	TITLE	LEAD REGION	ASSIST REGIONS	STAFF DAYS
AMS	AMS - CONTROLS OVER BILLING, REIMBURSEMENT, AND COLLECTION ACTIVITIES	SER		100
	AMS - PESTICIDE TOLERANCE LEVELS FOR TOBACCO	SER		100
	AMS - CONTROLS OVER MARKETING OPERATIONS	SER		60
	AMS INSPECTION AND GRADING ACTIVITIES - FRUITS AND VEGETABLES	MWR		50
	SURVEY OF AMS COMPLIANCE, INSPECTION, AND DAIRY GRADING ACTIVITIES	MWR		50
				TOTAL 360
APHIS	REVIEW OF INTERNATIONAL COOPERATIVE AGREEMENTS	NER		150
	APHIS RESOURCE MANAGEMENT SYSTEMS AND EVALUATION STAFF	NER		30
	APHIS OPERATIONS IN SOUTHWEST REGION	SWR		100
	FEDERAL ASSISTANCE FOR BRUCELLOSIS ERADICATION	SWR		100
ARS	SURVEY OF ARS MARKET DEVELOPMENT RESEARCH ACTIVITIES	NER		100
				TOTAL 100
ASCS	ASCS - FEDERALLY LICENSED WAREHOUSE	SER	FMS	350
	ASCS - NO NET COST TOBACCO PROGRAM	SER		150
	ASCS - CRP PRODUCER AND LAND ELIGIBILITY	SER	SWR	235
	ASCS - ESTABLISHMENT OF FLUE-CURED AND BURLEY TOBACCO QUOTAS	SER		100
	ASCS - FORESTRY INCENTIVES PROGRAM	SER		190
	ASCS - FLUE-CURED TOBACCO ASSOCIATION, RALEIGH, NORTH CAROLINA	SER		100
	DISASTER ASSISTANCE 1988 CROPS	MWR		150
	DISASTER ASSISTANCE 1989 CROPS	MWR	SER, FMS, NER, GPR, SWR	1150

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AGENCY	TITLE	LEAD REGION	ASSIST REGIONS	STAFF DAYS
ASCS	STATEWIDE AUDIT OF ASCS COS	MWR	FMS	225
	SURVEY OF WAREHOUSE EXAMINATION, LICENSING, AND CONTRACT DIVISION	FMS	SER, MWR, GPR, WR	500
	SURVEY OF BULK GRAIN MERCHANDISING ACTIVITIES	FMS		200
	MANAGEMENT OF COMMODITY INVENTORIES	FMS		200
	CONTROLS OVER ASCS/CCC CLAIMS AND DEBT MANAGEMENT ACTIVITIES	FMS	GPR	500
	EVALUATION OF THE ADMINISTRATION OF ASCS/CCC CONTRACTING ACTIVITIES	FMS		200
	ASCS REVIEW - EVALUATION OF FMHA/ASCS PAYMENT COLLECTION SYSTEMS	FMS		150
	CONSERVATION RESERVE PROGRAM CONTRACT AND REPORTING SYSTEMS	FMS		50
	EVALUATION OF COMMODITY PROCUREMENT PRACTICES AND RELATED PCIMS CONTROLS	FMS	NER	250
	APPLICATION OF THE DECENTRALIZED AUTOMATED PRICE SUPPORT SYSTEM AND RELATED OPERATIONS	FMS		100
	STRATEGIC PARTICIPATION IN SYSTEM DEVELOPMENT WORK THROUGH ASCS	FMS		75
	SURVEY OF TRAFFIC MANAGEMENT	FMS		75
	COMMODITY CREDIT CORPORATION GRAIN STORAGE RATES	FMS		50
	PENNSYLVANIA ASCS STATE AND COUNTY OFFICE ADMINISTRATION	NER		170
	ASCS-CRP DETECTION OF PAYMENT LIMITATION ABUSE	GPR	MWR, FMS, WR, SWR	700
	1989 EMERGENCY FEED PROGRAM OPERATIONS	GPR		350
	COORDINATION OF ASCS/FCIC PROGRAM BENEFITS	GPR	SER, MWR, FMS, WR, SWR	425
	ASCS-COMMODITY LOAN SETTLEMENTS	GPR		60
	INTEGRITY OF SCOAP DATA	GPR		75
	COUNTY POSTED PRICES FOR LOAN REDEMPTIONS	GPR		75
	CONSERVATION RESERVE PROGRAM BIDS FOR SIXTH SIGNUP	GPR		20
	SURVEY OF 1987 DEFICIENCY AND DIVERSION PAYMENTS	GPR		120

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AGENCY	TITLE	LEAD REGION	ASSIST REGIONS	STAFF DAYS	
				-----	
ASCS	ASCS FACILITY LOAN PROGRAM REPAYMENT ACTIVITIES	GPR		100	
	USDA OFFICIALS' PROGRAM PARTICIPATION				
	ASCS PAYMENT LIMITATION AUDIT OF LARGE LAND- OWNER LEASES	WR		200	
	ASCS ACTION ON PAYMENT LIMITATION FOR 1989				
	ASCS EMERGENCY CONSERVATION PROGRAM	SWR	SER, MWR, FMS, GPR, WR	1620	
	ASCS IMPLEMENTATION OF LIVESTOCK FEED PROGRAMS				
					TOTAL
CSRS	CSRS - PRAIRIE VIEW A&M UNIVERSITY	SER		20	
	CSRS - FOLLOWUP ON CSRS MANAGEMENT AT LGI'S				
	USDA SMALL BUSINESS INNOVATION RESEARCH PROGRAM	GPR		50	
				TOTAL	502
ES	EXTENSION FACILITIES PROGRAM	SER		75	
	EXTENSION SERVICE - UNIVERSITY OF THE DISTRICT OF COLUMBIA				
	USE OF COOPERATIVE AGREEMENTS IN USDA EXTENSION SERVICES	NER		100	
					TOTAL
FAS	EVALUATION OF FAS'S FOREIGN RISK ANALYSIS	NER		100	
	FAS EXPORT SALES REPORTING REQUIREMENTS				
	USAGE OF SECTION 32 FUNDS	NER		50	
	IMPLEMENTATION OF AUDIT RECOMMENDATIONS RELATED TO MARKET DEVELOPMENT				
	SPECIAL REQUEST FOR GSM-102 EXPORTER OPERATIONS	NER		80	
	AUDIT OF GSM 102/103 PROGRAMS				
					100

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AGENCY	TITLE	LEAD REGION	STAFF DAYS	
			ASSIST REGIONS	
FAS	FOLLOW-UP AUDIT OF TARGETED EXPORT ASSISTANCE PROGRAM	NER		100
	AUDIT OF THE MARKET DEVELOPMENT PROGRAM	NER		300
			TOTAL	980
FCIC	FCIC - MULTIPLE FARMING OPERATIONS - CLAIMS MANAGEMENT	SER		100
	FCIC REINSURANCE PROGRAM AGREEMENTS AND PROVISIONS	FMS		200
	REINSURANCE ACCOUNTING SYSTEM	FMS		50
	EVALUATION OF IMPLEMENTATION OF THE CROP INSURANCE COMMISSION REPORT RECOMMENDATIONS	FMS	GPR, SWR	250
	REVIEW OF FCIC CASH MANAGEMENT PRACTICES WITH REINSURED COMPANIES	FMS		100
	EVALUATION OF INTERNAL CONTROL PROCESS AT FCIC	NER		300
	FCIC ANALYSIS OF DATABASE INFORMATION AND OPERATIONS	GPR	MWR, SWR	430
	REVIEW OF DUPLICATE CONTRACTS AND COMPANY SWITCHNG	GPR		75
	FCIC-SURVEY OF CLAIMS ON NEWLY INSURED CROPS	WR		50
	DEBT MANAGEMENT	SWR	FMS	100
	COMPLIANCE DIVISION OPERATIONS	SWR		150
	FIELD UNDERWRITING OFFICE OPERATIONS	SWR	SER, MWR, FMS, NER, GPR, WR	300
LARGE 1988 CROP YEAR INDEMNITIES	SWR	SER, MWR, NER, WR	210	
			TOTAL	2315
FGIS	FGIS COMPLIANCE WITH 1986 GRAIN IMPROVEMENT ACT	SWR		50
			TOTAL	50
FMHA	FMHA - EVALUATION OF FMHA'S INTERNAL CONTROL AND COMPLIANCE REVIEW PROGRAM	SER		100
	FMHA - RRH LOAN PROGRAM IN KENTUCKY	SER		250

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AGENCY	TITLE	LEAD REGION	ASSIST REGIONS	STAFF DAYS
FMHA	FMHA - RURAL HOUSING GRADUATION PROJECT NORTH CAROLINA	SER		52
	ASCS - ASSESSMENT AND COLLECTION OF PENALTIES AGAINST TOBACCO DEALERS	SER		25
	FMHA EMERGENCY LOSS LOANS, WASHINGTON, D.C.	SER		50
	FMHA - CALL CONTRACT FOR B&I LOAN SERVICING	SER		50
	FMHA - DROUGHT AND DISASTER BUSINESS AND INDUSTRY GUARANTEED LOAN PROGRAM	SER		100
	FMHA - ADMINISTRATIVE APPEALS	SER	NER, GPR, SWR	450
	FMHA - INTEREST RATE REDUCTION PROGRAM	SER		25
	FMHA - GUARANTEED FP LOAN LIQUIDATIONS/LOSS REPORTS	SER		75
	FMHA - DELINQUENT BORROWERS PARTICIPATING IN THE ASCS CONSERVATION RESERVE PROGRAM	SER		50
	FMHA - LOAN CLASSIFICATIONS	SER		50
	FMHA B&I LOAN LIQUIDATION	SER		100
	FMHA - RURAL HOUSING SERVICING CONTRACT CLOSEOUT IN SOUTH CAROLINA	SER		100
	SURVEY OF COMMUNITY PROGRAM ACTIVITIES	MWR	FMS	165
	RURAL RENTAL HOUSING CONSTRUCTION ACTIVITIES	MWR	SER, FMS, NER, WR, SWR	1325
	RRH RENTAL ASSISTANCE AND INTEREST CREDIT	MWR		150
	RURAL RENTAL HOUSING OPERATIONS	MWR	SER, FMS, NER, WR, SWR	1200
	FMHA'S MANAGEMENT OF THE RRH AND RH PROGRAMS	MWR	SER, FMS, NER, WR, SWR	650
	EVALUATION OF CONTROLS OVER THE SELF-HELP HOUSING PROGRAM	MWR		100
	INTERNAL CONTROL OVER LOAN PORTFOLIO BALANCING	FMS		100
	AUDIT OF FMHA FINANCIAL STATEMENTS-FY90	FMS	SER, MWR, NER, GPR, WR, SWR	1465
	SURVEY/GAO REVIEW OF FMHA FINANCIAL STATE- MENTS FY89 FIELD CONFIRMATIONS	FMS	SER, MWR, NER, GPR, WR, SWR	1040
	FMHA FINANCIAL STATEMENTS FY89 FINANCE OFFICE	FMS		480

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AGENCY	TITLE	LEAD REGION	ASSIST REGIONS	STAFF DAYS
FMHA	ASSESSMENT OF INTEREST CREDIT PROVISIONS & BUDGETARY IMPACT	FMS	SER, MWR, NER, GPR, WR, SWR	500
	FMHA REVIEW - EVALUATION OF FMHA/ ASCS PAYMENT COLLECTION SYSTEMS	FMS		100
	ACCOUNTABILITY OF SERVICING AGENTS FOR RH LOANS	FMS		100
	REVIEW OF FMHA - FY90 ASSET SALES	FMS		50
	SURVEY - FMHA FY90 PROBLEMS	FMS		50
	SURVEY -REVIEW OF PENDING SYSTEM MODIFICATIONS/ENHANCEMENTS	FMS		50
	FMHA CONTRACT FOR ADP AND IRM SUPPORT SERVICES	FMS		50
	AUDIT OF THE NEWARK FMHA OFFICE	NER		20
	AUDIT OF BINGHAMTON FMHA COUNTY OFFICE	NER		20
	AUDIT OF CONTONNY FMHA COUNTY OFFICE	NER		50
	ADMINISTRATION AND MANAGEMENT WEST VIRGINIA STATE AND COUNTY OFFICES	NER		200
	FMHA - SURVEY OF EMERGENCY LOANS AND REQUIRED CROP INSURANCE	GPR		75
	FMHA-IMPLEMENTATION OF PRIMARY LOAN SERVICE PROGRAMS	WR	SER, MWR, GPR, SWR	2100
	FMHA - DEBT RESTRUCTURING PROVISIONS	WR	SER, MWR, FMS, NER, GPR, SWR	1600
	FMHA-PROTECTIVE BID POLICIES AND PROCEDURES- SURVEY	WR		50
	FMHA B&I LOAN SERVICING	WR		100
	FMHA-RURAL HOUSING EVICTIONS	WR		100
	FINANCIAL AUDIT OF A BUSINESS AND INDUSTRIAL LOAN BORROWER	WR		100
	FMHA SINGLE FAMILY HOUSING PROGRAM	SWR		100
	RURAL DEVELOPMENT LOANS AND GRANTS	SWR		50
	IMPLEMENTATION OF FMHA FARMER PROGRAM GUARANTEED LOANS	SWR	SER, MWR, GPR	725
	FMHA REPURCHASES OF GUARANTEED LOANS	SWR		100

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AGENCY	TITLE	LEAD REGION	ASSIST REGIONS	STAFF DAYS
FMHA	FMHA SERVICING, SUBORDINATIONS, AND SUBSTITUTIONS OF LOAN ASSET SALES	SWR		125
	FMHA GUARANTEED LOAN LOSS CLAIMS	SWR	SER, MWR, NER, GPR, WR	225
	BORROWER REPAYMENTS ON DEFAULTED FMHA LOANS	SWR	SER, MWR, FMS, NER, GPR, WR	235
	FMHA SUBORDINATION OF LIENS	SWR		75
	IMPLEMENTATION OF DEBT SETTLEMENT PROVISIONS FOR COMMUNITY AND B&I LOANS	SWR		50
			TOTAL	15152
FNS	FNS - NON-FEDERAL ADP SYSTEMS	SER		200
	FNS - FOOD STAMP PROGRAM - ERROR RATE REDUCTION AND CLAIMS MANAGEMENT	SER		50
	FNS - WIC COST CONTAINMENT (VENDOR REBATES)	SER		100
	FNS - WIC ADMINISTRATIVE COST	SER	MWR, NER, GPR, WR, SWR	1000
	FNS - FOOD STAMP PROGRAM, DADE COUNTY, MIAMI, FLORIDA	SER		310
	FNS - WIC ADMINISTRATIVE COST CLAIMED IN GEORGIA	SER		75
	FNS-FSP RECOUPLING CLAIMS AND IMPOSING DISQUALIFICATION PENALTIES	SER	MWR, NER, GPR, WR, SWR	970
	QUALITY OF CPA AUDITS OF THE FOOD DISTRIBUTION/NATIONAL COMMODITY PROCESSING PROGRAM	MWR		100
	FOOD STAMP PROGRAM MANAGEMENT OF RETAILER TRACKING	MWR		100
	STATE AGENCY DISTRIBUTION OF FOOD COUPONS TO FOOD STAMP PROGRAM RECIPIENTS	MWR	SER, NER, GPR, WR, SWR	1000
	REGIONAL OFFICE FINANCIAL MANAGEMENT OPERATIONS	MWR		100
	JOINT AUDIT/INVESTIGATION TO DETECT RECIPIENT FRAUD IN THE FOOD STAMP PROGRAM	MWR		150
	NATIONAL SCHOOL LUNCH PROGRAM AS ADMINISTERED BY THE CHICAGO BOARD OF EDUCATION	MWR		300
	STATE ADMINISTRATIVE EXPENSES UNDER THE CHILD NUTRITION PROGRAM	MWR		100
	AUDIT OF FOOD STAMP PROGRAM	MWR		300
FSP ADP SYSTEM DEVELOPMENT AND MONITORING	MWR		100	

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AGENCY	TITLE	LEAD REGION	ASSIST REGIONS	STAFF DAYS
				-----
FNS	FNS - CASH IN LIEU OF COMMODITIES	MWR		75
	USE OF FOOD SERVICE MANAGEMENT COMPANIES TO OPERATE SCHOOL LUNCH PROGRAMS	MWR		25
	FOLLOW-UP ON WIC PROGRAM VENDOR MONITORING	MWR		50
	TONYS FOOD DISTRIBUTION PROGRAM AND NATIONAL COMMODITY PROCESSING	MWR		150
	AUDIT OF SECURITY OVER FNS ADMINISTRATIVE PAYMENTS SYSTEM AND COMPUTER HARDWARE	FMS		100
	FOOD STAMP QUALITY CONTROL ERROR RATE RE- DUCTION SYSTEM	NER		100
	FOOD AND NUTRITION SERVICE - FOOD STAMP PROGRAM EMPLOYMENT AND TRAINING PROGRAM	NER		300
	FOLLOWUP ON NEW NSLP REGULATIONS	NER		200
	SECURITY AND ACCOUNTABILITY OVER FOOD STAMP PRINTING	NER		100
	EMPLOYMENT AND TRAINING	NER		30
	DC, MD, VA, FSP MATCHES	NER		50
	AUDIT OF UPSTATE NY FOOD STAMP PROGRAM	NER		20
	FINANCIAL MANAGEMENT OPERATIONS - FNSRO SURVEY	NER		25
	NY & NJ FSP COMPUTER MATCH	NER		200
	AUDIT OF SA SAFEGUARDS USED TO PREVENT FRAUD WASTE, AND ABUSE IN NAP PROGRAMS	NER		140
	FOOD DISTRIBUTION - MANAGEMENT AND CONTROLS NEW JERSEY	NER		200
	AUDIT OF THE FOOD STAMP PROGRAM IN WASHINGTON, D.C.	NER		250
	NEW YORK CITY FOOD STAMP PROGRAM	NER		150
	FOOD AND NUTRITION SERVICE - ELECTRONIC BENEFIT TRANSFER - DEMONSTRATION PROJECT	NER		100
	U.S. POSTAL SERVICES AND SECRET SERVICE FOOD STAMP ACCOUNTABILITY	NER		50
	VIRGIN ISLANDS NSLP	NER		200
	PUERTO RICO VOCATIONAL SCHOOL LUNCH PROGRAM	NER		300

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AGENCY	TITLE	LEAD REGION	ASSIST REGIONS	STAFF DAYS
FNS	MONITORING OF CPA CONTRACTS	NER		250
	FNS - WASHINGTON CASH OUT PILOT PROGRAM	WR		40
	FNS-MONITORING OF NONFEDERAL ADP SYSTEMS	WR		150
	FNS FOOD STAMP PROGRAM COMPUTER MATCHING	SWR		50
	FNS, NSLP, CARLSBAD INDEPENDENT SCHOOL DISTRICT, CARLSBAD, NM SUMMER FOOD SERVICE PROGRAM SPONSORS	SWR		25
		SWR		40
	INCOME AND ELIGIBILITY VERIFICATION SYSTEM	SWR		25
				TOTAL 8350
FS	FS - ANALYSIS OF K-V FUND BALANCES	SER		25
	FS - FOLLOWUP ON CG DECISIONS REGARDING SELECTED FS YEAREND PROCUREMENTS	SER		100
	FS - CONTROLS OVER TIMBER SALE ADMINISTRATION REGION 8	SER		100
	FS - FY 1989 RENEWABLE RESOURCE ASSESSMENT	SER		100
	FS - SALVAGE SALE FUND - COLLECTIONS AND EXPENDITURES	SER	WR	100
	FS - ANALYSIS OF BRUSH DISPOSAL FUND BALANCES AND EXPENDITURES	SER		200
	FS - MICROWAVE COMMUNICATION SYSTEMS	SER		170
	FS - LOCKBOX SYSTEM FOR CASH RECEIPTS	SER		50
	FS - REPROGRAMMING OF CONSTRUCTION/OTHER APPROPRIATED FUNDS	SER		125
	LAND AND WATER CONSERVATION FUND	MWR	FMS	80
	FOREST SERVICE ACCOUNTING STAFF	MWR		100
	STRATEGIC MONITORING OF THE DEVELOPMENT OF THE GEOGRAPHIC INFORMATION SYSTEM	FMS		100
	DEVELOPMENT OF AUTOMATED ASSIST PACKAGE TO PROVIDE FINANCIAL ANALYSES OF FS PROGRAMS	FMS		75
	SURVEY OF NATIONAL GRASSLANDS	GPR		140

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AGENCY	TITLE	LEAD REGION	ASSIST REGIONS	STAFF DAYS
FS	FS-SURVEY OF TIMBER MANAGEMENT ANTITRUST CONTROLS	WR		100
	FS-SURVEY OF CRUISING AND SKEWED BIDDING ON TIMBER SALES	WR		100
	FS-SURVEY OF DEFAULT PROBABILITY FOR EXTENDED TIMBER SALES	WR		100
	FS-SURVEY OF FOREST ROAD CONSTRUCTION	WR		75
	FS-TIMBER SALE DEPOSITS, PAYMENTS, AND PAYMENT GUARANTEES SURVEY	WR		100
	FS-FIREFIGHTING INVENTORY AND PROPERTY CONTROL	WR		220
	FOLLOWUP ON REGION 6'S TIMBER THEFT PREVENTION PLAN	WR		100
	FS-SURVEY OF STUMPAGE RATE ADJUSTMENTS ON TIMBER SALES	WR		100
	FS-SURVEY OF FIREFIGHTING BUDGETARY CONTROLS	WR		75
	FS-SURVEY OF INTERAGENCY FIREFIGHTING COST RECOVERY	WR		75
	FS-SURVEY OF FOREST ROAD MAINTENANCE	WR		75
	FS-INDIAN POINT TIMBER SALE CONTRACT	WR		80
	AUDIT OF A LARGE FS TIMBER SALE CONTRACT	WR		120
				TOTAL 2785
FSIS	FSIS - LABELING POLICIES AND APPROVALS	SER		50
	FSIS - REGIONAL OFFICE SURVEY	SER		10
	FSIS - ACCREDITATION OF COMMERCIAL LABORATORIES	SER		100
	FSIS - DEV. OF PERFORMANCE-BASED INSPECTION SYSTEM & THE CENTRAL QUERY SYSTEM- SURVEY	SER		150
	FSIS - STREAMLINED INSPECTION SYSTEM FOR BEEF	GPR		100
	FSIS-MPIO PROCEDURES FOR HANDLING PROBLEM PLANTS	WR	MWR, SWR	400
	FSIS-MPIO SURVEY OF PROCEDURES FOR STATE INSPECTION PROGRAMS	WR		100
	FSIS-SURVEY OF PROCEDURES FOR IMPORT INSPECTION OF MEAT & POULTRY PRODUCTS	WR		50

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AGENCY	TITLE	LEAD REGION	ASSIST REGIONS	STAFF DAYS	
				-----	-----
FSIS	FSIS OPERATIONS IN SOUTHWEST REGION	SWR			100
				TOTAL	1060
MULT	MULTI - FSIS-APHIS, TRACEBACK OF DRUG RESIDUES IN SWINE AND CATTLE	SER			100
	MULTI - DEPARTMENTAL ENVIRONMENTAL PROTECTION ACTIVITIES	SER			150
	CPA - CONTRACT AUDITING	SER			75
	MANAGEMENT OF SINGLE AUDIT	SER			100
	FMHA/ASCS - EMPLOYEE INTEGRITY	SER			150
	MULTIAGENCY - DEBT MANAGEMENT AND COLLECTION INITIATIVES	SER	FMS		350
	MULTI - AUDIT MANAGEMENT PROCESS DIRECT TIME	SER			1525
	MULTI - SPECIAL REQUESTS	SER			400
	MULTI - SANCTIONS AND MONETARY PENALTIES	SER			100
	AUDIT FOLLOWUP	SER			200
	CONTRACT AUDITS	SER			50
	AUDIT MANAGEMENT PROCESS DIRECT TIME	MWR			1175
	SPECIAL REQUEST INITIATION	MWR			605
	CPA - CONTRACT AUDIT MONITORING	MWR			50
	AUDIT FOLLOWUP	MWR			100
	OVERSIGHT OF NON-FEDERAL AUDITORS	MWR	SER, NER, GPR, WR, SWR		1000
	MANAGEMENT OF SINGLE AUDITS	MWR			50
	CONTRACT AUDITS	MWR			50
	SECURITY OVER NON-FEDERAL ADP SYSTEMS FOLLOWUP	MWR			100
	FMHA MICROCOMPUTER COMMUNICATIONS CONTROLS & SECURITY OVER TRANSACTION PROCESSING	FMS	GPR		600

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AGENCY	TITLE	LEAD		STAFF DAYS
		REGION	ASSIST REGIONS	
MULT	FY90 AUDIT ASSIST	FMS		50
	USDA ALLOCATION OF FY 90 FUNDS	FMS		75
	USDA FINANCIAL STATEMENTS - DEPARTMENTWIDE AUDIT APPROACH	FMS	NER	500
	COMPLIANCE OF USDA CORPORATIONS WITH FEDERAL REGULATION	FMS		150
	MANAGEMENT AND CONTROL OVER COLLECTIONS IN USDA	FMS		50
	AUDIT OF THE SECURITY AND MANAGMENT OF THE ASCS/FAS JOINT COMPUTER FACILITY	FMS		50
	DEVELOPMENT OF FIELD OFFICE ADP/CONTROL GUIDE AND TRAINING	FMS		100
	AUDIT FOLLOWUP	FMS		150
	CAPTAIN MAINTENANCE	FMS		300
	SPECIAL REQUEST	FMS		385
	AUDIT MANAGEMENT DIRECT TIME	FMS		1375
	MANAGEMENT PROCESS DIRECT TIME	HQ		5600
	AUDIT MANAGEMENT - DIRECT TIME	NER		1625
	SINGLE AUDIT MANAGEMENT	NER		400
	SPECIAL REQUESTS	NER		1675
	CONTRACT AUDIT	NER		200
	AUDIT FOLLOWUP	NER		150
	FMFIA FOR FY 1990	NER		100
	VEHICLE MANAGEMENT PROGRAM	NER		500
	PROGRAM INTEGRITY OF AGRICULTURAL RESEARCH AND TECHNOLOGY	NER		100
	RECONCILIATION OF RECEIVABLES ARISING FROM FORIEGN DEBTS	NER		200
	EVALUATION OF INTERNAL CONTROL PROCESS	NER	FMS	250

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AGENCY	TITLE	LEAD REGION	ASSIST REGIONS	STAFF DAYS
MULT	MONITORING THE 1990 FARM BILL	GPR	SER, MWR, FMS, NER, WR, SWR	400
	MULTI-AGENCY IMPLEMENTATION OF PROGRAM TO ENHANCE WATER QUALITY	GPR		60
	IMPLEMENTATION OF SOODBUSTER/SWAMPBUSTER PROVISIONS	GPR		80
	AUDIT MANAGEMENT DIRECT PROCESS TIME	GPR		900
	SPECIAL REQUESTS	GPR		200
	AUDIT FOLLOWUP	GPR		200
	MANAGEMENT OF THE SINGLE AUDIT PROCESS	GPR		200
	CONTRACT AUDITS	GPR		71
	MANAGEMENT OF SINGLE AUDITS	WR		100
	CONTRACT AUDITS	WR		100
	SPECIAL REQUEST TIME	WR		598
	CPA - CONTRACT AUDITING	WR		50
	AUDIT FOLLOWUP	WR		200
	MANAGEMENT PROCESS DIRECT TIME	WR		1000
	SPECIAL REQUEST AUDITS	SWR		457
	MANAGEMENT OF SINGLE AUDITS	SWR		50
	CPA OVERSIGHT	SWR		25
	AUDIT FOLLOWUP	SWR		75
	AUDIT MANAGEMENT PROCESS DIRECT TIME	SWR		1025
	MONITORING OF RURAL DEVELOPMENT LEGISLATION	SWR		25
	MULTI-AGENCY FACILITIES MANAGEMENT	SWR		80
	CONTRACT AUDITS	SWR		100

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AGENCY	TITLE	LEAD		STAFF DAYS
		REGION	ASSIST REGIONS	
MULT	SURVEY OF COMPLIANCE WITH DEFICIT REDUCTION ACT OF 1984	SWR	FMS, GPR, WR	100
				TOTAL 27011
NASS	NASS - REVIEW OF DATA USED TO DETERMINE ASCS DEFICIENCY RATES FOR UPLAND COTTON	SER		100
	REVIEW OF NASS NATIONAL AVERAGE MARKET PRICE SAMPLING METHODOLOGY AND ACCURACY OF DATA	SWR		100
				TOTAL 200
OFM	CONTROLS OVER ADJUSTMENTS TO THE GENERAL LEDGER	FMS		100
	ASSESSMENT OF THE ADMINISTRATIVE PAYMENT SUBSYSTEMS	FMS	SER, MWR, NER, GPR, WR, SWR	750
	COMPARISON OF USER BILLINGS TO NFC EXPENDITURES	FMS		100
	EFFICIENCY OF TRAVEL VOUCHER PAYMENT PROCESS	FMS		100
	SECURITY OVER MVS OPERATING SYSTEM AT NFC	FMS		75
	PAYROLL/PERSONNEL COMPUTER SYSTEM AND DATABASE	FMS		150
	ANALYSIS OF THE USE OF SUSPENSE FILES	FMS		50
	DEPARTMENTWIDE FINANCIAL INFORMATION SYSTEM (DFIS)	FMS		100
	PURCHASE ORDER SYSTEM	FMS		150
	AUDIT OF NFC'S INTERNAL CONTROLS OVER FINANCIAL RECORDS AND ACTIVITIES	FMS		100
	IMPLEMENTATION OF NEW REGULATION ON MANAGEMENT DECISION AND FINAL ACTIONS	NER		100
	GENERAL REVIEW OF THE WORKING CAPITAL FUND	NER		100
				TOTAL 1875
OGC	OGC - CASELOAD MANAGEMENT	NER		75
				TOTAL 75

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AGENCY	TITLE	LEAD REGION	ASSIST REGIONS	STAFF DAYS
OICD	OICD FINANCIAL MANAGEMENT SYSTEMS	NER		70
				TOTAL 70
OIRM	AUDIT OF MANAGEMENT AND SECURITY OVER OIRM'S LOCAL AREA NETWORKS	FMS		200
	SECURITY AND CONTROL OF THE COMBINED SYSTEMS AT THE NCC-KC	FMS		100
	MANAGEMENT AND CONTROL OF THE HONEYWELL MAINFRAME COMPUTER	FMS		50
	NCC-FC COMPLIANCE WITH OMB CIRCULAR A-130 AND OTHER FEDERAL REGULATIONS	FMS		50
	SECURITY REVIEW OF USER ACCESS CONTROLS IMPLEMENTATION - NCC-FC	FMS		120
	REVIEW OF USDA'S CONTROL OF COMPUTER VIRUSES	FMS		50
				TOTAL 570
OO	TITLE 31 REVIEW OF CONTRACTED ADVISORY AND ASSISTANCE SERVICES	NER		100
	O.O. - CENTRAL SUPPLY FOLLOW-UP	NER		75
				TOTAL 175
REA	REA - RURAL TELEPHONE PROGRAM (RTP) NON-ACT ACTIVITIES OF TELEPHONE LOAN BORROWERS	SER	MWR, NER, GPR, WR, SWR	800
	REA - NON-ACT ACTIVITIES OF TELEPHONE LOAN BORROWERS	SER		25
	REA - NON-ACT CAPACITY/ENERGY SALES	SER		105
	REA GRANTS AND ZERO INTEREST LOANS	MWR		50
	THE USE OF WORK-OUT TEAMS TO SERVICE FINANCIALLY DISTRESSED REA BORROWERS	MWR	SER, NER, GPR, WR, SWR	400
	REA IRREGULARITY COMMITTEE	MWR		100
	AUDIT AND DATA BASE ANALYSES OF REA'S LOAN ACCOUNTING SYSTEMS	FMS		100

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AGENCY	TITLE	LEAD REGION	ASSIST REGIONS	STAFF DAYS
				-----
REA	REVIEW OF REA FINANCIAL NEED CRITERIA	SWR	SER, MWR, NER, GPR, WR	700
				TOTAL 2280
SCS	SCS - EVALUATION OF THE RURAL ABANDONED MINES PROGRAM	SER		75
	COMPLIANCE WITH SODBUSTER PROVISIONS	GPR	SER, MWR, FMS, WR, SWR	505
	SCS CONSERVATION PLANS	SWR		100
				TOTAL 680

## THE OIG HOTLINE

The Inspector General Act of 1978 requires the Inspector General to conduct and supervise audits and investigations relating to programs and operations of the Department of Agriculture. The Act specifically addresses employee complaints in that it states:

“The Inspector General may receive and investigate complaints or information from an employee of the establishment concerning the possible existence of an activity constituting a violation of law, rules, or regulations, or mismanagement, gross waste of funds, abuse of authority or a substantial and specific danger to the public health and safety.”

Such employees are given special protection:

“The Inspector General shall not, after receipt of a complaint or information from an employee, disclose the identity of the employee without the consent of the employee, unless the Inspector General determines such disclosure is unavoidable during the course of the investigation” and

“Any employee who has authority to take, recommend or approve any personnel action, shall not, with respect to such authority, take or threaten to take any action against any employee as a reprisal for making a complaint or disclosing information to an Inspector General, unless the complaint was made or the information disclosed with the knowledge that it was false or with willful disregard for its truth or falsity.”

## **MONETARY AWARDS TO ENCOURAGE U.S. EMPLOYEES TO DISCLOSE FRAUD, WASTE AND ABUSE IN FEDERAL GOVERNMENT PROGRAMS**

Section 1703 of the Omnibus Budget Reconciliation Act of 1981, Public Law 97-35, as amended by Public Law 100-611, is designed to encourage U.S. Government employees to disclose fraud, waste, and abuse in Federal programs to Offices of Inspector General. The law authorizes Inspectors General to award up to \$10,000 to U.S. Government employees for submitting Whistleblower complaints which result in substantial savings to the Federal Government.

In FY 1988, the USDA Inspector General announced the first USDA award of \$10,000 to an employee. The employee requested to remain anonymous and, in accordance with the law, OIG and Departmental officials have honored the request.

## **USDA/OIG HOTLINE NUMBERS**

The OIG has established two Hotline numbers for the use of the public and Department employees. These numbers are:

800-424-9121

This is a toll free number  
to be used outside  
Washington, D.C.

472-1388

This number is to be used  
inside the Washington, D.C.  
metropolitan area

USDA employees who receive offers of bribes or gratuities may contact an OIG Special Agent by calling the Direct Line at 202-447-7257 or FTS 447-7257.

In addition, the Food Safety and Inspection Service has established a FSIS Hotline number for questions or problems with meat or poultry products. These numbers are 800-535-4555 (toll free) outside Washington, D.C. and 447-3333 within the Washington, D.C. metropolitan area.







